



ESG 2024

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CEO Statement

I am pleased to present the fifth ESG (Environmental, Social, and Governance) Report of Mekorot, Israel's national water company. This report outlines the company's activities in 2024 across the areas of environment, society, and corporate governance. In a year marked by regional uncertainty and escalating environmental challenges, we remained committed to leading Israel's water sector through responsible, innovative, and sustainable management.

2024 marked a significant leap forward in Mekorot's environmental leadership. For the first time, the company's management approved a strategic plan to reduce greenhouse gas emissions throughout the company's value chain, setting an ambitious target of a 40% reduction in emissions by 2050. This milestone accompanies the continued dramatic savings of tens of millions of shekels in energy costs. These initiatives concretely realize the company's vision for addressing the climate crisis.

In the social sphere, Mekorot continued to strengthen its commitment to the state, the community, and its employees. The company invested over 8,000 hours in community engagement activities and supported 14,000 reserve duty days. Mekorot was awarded first place in the Human Resources Excellence During Wartime competition. Additionally, in the Code BDI ranking, Mekorot was recognized as the best workplace among infrastructure companies and ranked 14th overall.

Simultaneously, we continued to bolster innovation and economic independence in the water sector, with a record investment of 3 million NIS in local startups, 97% local procurement, and receiving the Platinum certification from the Standards Institute for compliance with six leading ISO standards.

Mekorot operates with a profound understanding that ESG domains are not only a responsibility but also an opportunity- to propel the water sector forward, improve processes, and strengthen connections with the public and our partners. We will continue to strive for excellence, act with a sense of mission, and lead Israel's national water sector responsibly, securely, and proudly in the years ahead.

On this occasion, I wish to extend my deep gratitude to Mekorot's employees for their dedicated efforts during this challenging year. Thanks to their professionalism, commitment, and Zionist spirit, the company continues to stand at the forefront of water resource management in Israel.



A handwritten signature in black ink, which appears to read 'Amit Lang', written over a horizontal dotted line.

Amit Lang
CEO of Mekorot
National Water Company

Opening Statement

We are pleased to present Mekorot's 2024 ESG Report, summarizing the company's activities in the areas of Environment, Society, and Governance. For many years, Mekorot has been committed to operating responsibly, transparently, and with a pursuit of excellence. This report stands as a testament to our ongoing dedication to our stakeholders and the public at large.

This year, alongside the challenges posed by the ongoing war, Mekorot continued to prioritize the health and safety of its employees and the regular supply of water, upholding the preservation of human life as a supreme value. This report places special emphasis on how we are addressing future challenges, as we strive to ensure a reliable and high-quality water supply to all citizens of Israel and neighboring countries, while maintaining and advancing our ESG commitments in alignment with Mekorot's vision.

During 2024, Mekorot set environmental targets and approved a multi-year action plan to address the company's response to the climate crisis and global warming, as part of our commitment to ensuring continuous water supply in both routine and emergency conditions.

This report has been written, for the second consecutive year, in accordance with the GRI Standards. Additionally, the report includes references to the United Nations Sustainable Development Goals (UN SDGs) and Mekorot's contributions to these objectives.

Mekorot hopes for the safe return of all hostages, a swift recovery for the wounded, and the safe homecoming of all soldiers.

We invite you to read this report and discover how Mekorot contributes to national resilience and the building of a sustainable future.



A handwritten signature in black ink, reading "Riki Mor".

Riki Mor

Head of Customer Relations and ESG



A handwritten signature in black ink, reading "Eyal".

Eyal Ben David

Acting VP Infrastructure Development
and Customer Relations

2024 ESG Highlights



Environment

40% by 2050

For the first time – target set to **reduce total greenhouse gas emissions** (compared to the 2023 baseline year)

~20%

Total Scope 1 greenhouse gas emissions decreased compared to 2023

63 million NIS

Energy cost savings – A record year in energy efficiency, representing an increase of about **10.5%** compared to 2023

99.9%

Of the water quality tests conducted during 2024 were found to be compliant with standards



Society

~1.87 billion

Cubic meters of water supplied – an increase of about **5%** compared to 2023

over 8,000

Hours dedicated to community service

14,113

Reserve duty days served by Mekorot employees

1st

Mekorot's rank among infrastructure companies and **14th** overall in the "100 Best Companies to Work For" list in 2024, according to BDI Code rankings

1st

Mekorot's place in the Human Resources Excellence competition in the category of HR performance during wartime

97%

Total procurement sourced locally; of this, **17%** was from small and medium-sized enterprises (SMEs), and **12%** of suppliers were selected based on environmental criteria

7%

Of Mekorot's workforce belonging to underemployed population groups; **7.9%** of employees hired in 2024 were from underemployed populations.



Governance

40%

Women representation of the Board of Directors

13,650

Total audit hours conducted during 2024, of which **79%** were internal audits and **21%** were external audits.

3 million NIS

A record investment in startups

Platinum Mark

Awarded by the Israel Standards Institute in recognition of the company's compliance with **6** leading ISO standards.

"Swords of Iron" War¹

The "Swords of Iron" war has placed the entire Israeli society in a new, complex, and challenging reality. Alongside the urgent challenges and in alignment with Mekorot's corporate responsibility values, the company has acted to ensure the health and safety of its employees while maintaining a regular and continuous water supply to the economy.

Despite the complex challenges, Mekorot has demonstrated exceptional commitment to ensuring a stable and safe water supply to all residents of Israel, while coping with security threats across various fronts, including direct damage to company facilities and infrastructure. In light of the complex reality, Mekorot continuously monitors the impact of the war on its operations and adapts its actions to evolving circumstances on the ground, while prioritizing the health and safety of its employees, consumers, and the general public.

Mekorot regards the protection of human life as a supreme value and strictly adheres to the principle that **human life takes precedence above all**. The company periodically issues security guidelines for employees, tailored to the evolving situation. These include detailed instructions for ensuring employee safety and security while maintaining a continuous and reliable water supply, even under severe emergency conditions. All efforts are made to safeguard the wellbeing of employees and the public, while ensuring the continuity of water supply and distribution.

Mekorot operates with full force and around the clock provides wide-ranging solutions in the areas of water, logistics, and general repairs for all local authorities, farmers, and soldiers in the field. The company ensures the supply of drinking water, hot water for showers, and electricity to security forces operating in staging areas in both the south and the north.

While supporting the security forces and carrying out ongoing maintenance of its facilities and infrastructure, Mekorot recognizes the critical importance of strengthening agriculture during wartime. The company is making significant efforts to increase the reliability of water supply for agriculture, in accordance with applicable regulations. This stems from the understanding that agriculture is a key factor in ensuring stability and security along Israel's borders, and reflects Mekorot's view of local agriculture as a strategic national asset in times of crisis.

In addition to these efforts, Mekorot has undertaken a series of measures to address additional risks, including strengthening supply chain management through increasing inventories and ensuring the availability of materials for emergencies; prioritizing essential development projects in coordination with the Water Authority; enhancing command and control systems; bolstering cyber defense capabilities in response to increased cyberattack attempts; raising employee awareness; and activating backup systems and operational continuity plans, all closely coordinated with other national infrastructure bodies to ensure systemic synchronization.

Against the backdrop of the "Swords of Iron" war and its consequences, the Governmental Authority for Water and Sewage revised Mekorot's 2024 development plan budget from 1.5 billion NIS to 1.27 billion NIS. Despite the numerous challenges faced by the company, actual expenditures amounted to approximately 1.3 billion NIS. The development plan for 2025 is projected at approximately 1.5 billion NIS as originally planned.

During 2024, there were no disruptions to the continuous water supply despite the war, thanks to long-term and ongoing investment in routine maintenance, which enabled a stable and reliable water supply even in emergency situations and despite the mobilization of dozens of employees for reserve duty and/or the forced relocation of some company staff away from their homes due to security constraints. However, operating the water supply system under emergency conditions required a strong focus on emergency preparedness, which led to a certain decline in energy efficiency.



During 2024, Mekorot employees served a total of **14,113** reserve duty days, following **10,335.5** reserve duty days served in 2023, as part of their mobilization for national defense during the "Swords of Iron" war.

¹For details on the measures taken by the company during the "Swords of Iron" war to ensure business and operational continuity, as well as to support the company's employees, their families, and the general public, please refer to the [2023 ESG Report](#).

About Mekorot

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Mekorot Water Company Ltd., the national water company established in 1937, operates to develop the water sector and strengthen Israel's economic and national resilience. Mekorot is engaged in water production, drilling, collection, quality treatment, transmission, and supply to all Israeli citizens, while preserving and securing water sources. Additionally, the company is involved in the construction and maintenance of various water supply facilities and provides consulting, construction, operation, and project initiation services in the water sector.

Mekorot is the primary water supplier in the State of Israel. The company produces approximately 47% of the total water that is extracted, purified, and desalinated in Israel, and it transports and supplies about 64% of the country's total water supply (including water supplied to the Kingdom of Jordan and the Palestinian Authority), accounting for approximately 78% of household water consumption.

Mekorot maintains maximum water availability, reliability, and quality through integrated and informed management, operating responsibly with a national and sustainable perspective on the various water sources.

The company's headquarters is located at 9 Lincoln Street, Tel Aviv.



Organizational Structure

2-2
2-9

Mekorot is a government-owned company operating under the Ministry of Energy and Infrastructure. Defined by Water Law as the national water company, Mekorot operates under the supervision of the Water and Sewage Authority, the state regulator responsible for overseeing its activities.

Following a structural reform approved by a government resolution in 2007, Mekorot operates as a group of companies. At the head of the group is the parent company- "Mekorot Water Company Ltd.", which is responsible for all aspects of water supply, including the construction, operation, and maintenance of water infrastructure.

The company's organizational structure includes a central headquarters, three operational regions nationwide- the Northern, Central, and Southern Regions- as well as the national water carrier system.

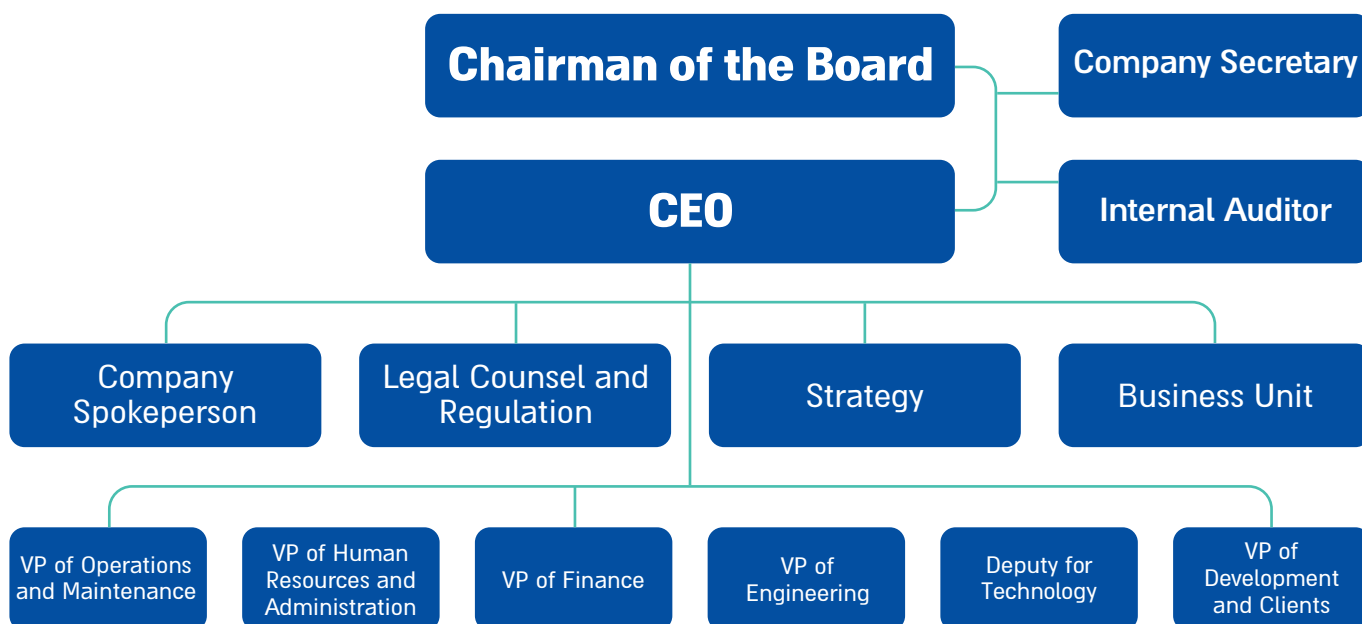
Under "Mekorot Water", two subsidiaries operate²:

- **"Shaham Mekorot Execution"**- a subsidiary serving as the company's contracting and execution arm, primarily engaged in the development and refurbishment of water facilities, maintenance work for Mekorot, as well as additional projects for external entities. These include work in production, electromechanics, drilling, water pipeline installation, construction of pumping stations, rehabilitation of reservoirs, buildings, and more.
- **"Mekorot Development and Initiatives"**- This subsidiary serves as Mekorot's international business arm, focused on initiating, promoting, and consulting on water projects related to desalination and wastewater treatment, both in Israel and globally. It also operates in the energy sector, aiming to reduce Mekorot's operational costs while supporting the company's ESG goals³.

Mekorot's Ownership Structure⁴:



Mekorot's Organizational Structure⁵:



² The two subsidiaries operate independently. Accordingly, their reporting and control mechanisms are conducted separately and independently from "Mekorot Water."

³ The activities of the development company in this field are subject to discussions with the Government Companies Authority.

⁴ For further details on Mekorot's ownership structure, see the [annual report for 2024](#).

⁵ As published in the 2024 annual report.

Mekorot's Vision

Mekorot's vision is rooted in its core mission: the development, operation, and maintenance of Israel's national water system. Mekorot is committed to ensuring the availability, quality, and reliability of water supply for all residents of the country, while optimizing and preserving water resources. The company supports the development and strengthening of communities, industry, and agriculture, and strives to be a leader in water solutions and water technology both locally and internationally.

The company's vision is to be a **"global leader in the water sector, exemplifying excellence, professionalism, and boldness, leveraging knowledge and experience to ensure Israel's water security and to create advanced water solutions"** for the company, the state, and the global environment, while safeguarding natural resources for future generations.

During 2024, the company worked on embedding this vision among its employees through an implementation team comprising representatives from all divisions.

"A Global Leader in Excellence, Professionalism, and Innovation – Leveraging its Experience, Capabilities, and Advanced Technologies to Create Cutting-Edge Water Solutions."



Let's Stay in the Environment

Mekorot's Commitment to Responsible Environmental Management, Respecting Natural Resources, the Nation, and its Neighbors



Clearly Mekorot

Ethical and Fair Human-Centered Business Management, Upholding the Highest Professional Standards.



Stronger Together

Building Partnerships and Collaborations with Our Stakeholders, Clients, Business Entities, and the State to Ensure Optimal Water Management and Maximize Economic Value.



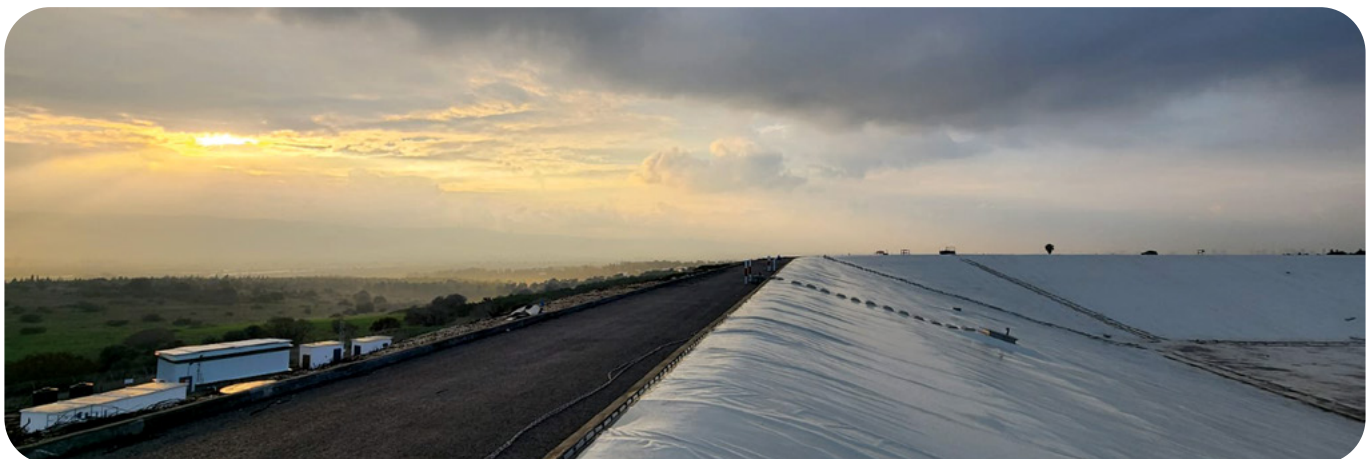
Always Thinking Ahead

Embracing Learning, Out-of-the-Box Thinking, Forward Vision, Business Development, and Growth to Achieve Superior Business Outcomes.



Excellence Starts Here

Delivering Water with Quality, Availability, and Reliability, to Every Location with Utmost Priority.



Mekorot's ESG Commitment

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As part of Mekorot's commitment to excellence and responsibility in water resource management, the company has established a clear framework for Environmental, Social, and Governance (ESG) priorities:

Commitment to the Environment

- Protecting the environment and responsibly managing natural resources, particularly water, while adhering to strict environmental standards.
- Reducing the company's environmental footprint across all operations, the supply chain, and through technological innovation.
- Preparing for the impacts of climate change.

Commitment to Society

- Supplying the maximum quantity of water to all consumers, both now and in the future.
- Upholding the stability and quality of the water sector by guaranteeing continuous access to high-quality water during both routine and emergency situations.
- Ensuring the health, safety, and security of employees, customers, and suppliers.
- Fostering employee retention and development by creating a respectful, inclusive, and equitable work environment.
- Developing shared value with the community.

Commitment to Proper and Effective Corporate Governance and Economic and Regional Development

- Maintaining integrity, preventing corruption and fraud, and complying with all legal regulations.
- Managing company risks while identifying innovative solutions and technologies.
- Operating with full transparency and cooperating with regulatory authorities.
- Ensuring the required water supply to neighboring countries.
- Establishing Mekorot as a center of expertise in the water sector and expanding international relations through strategic collaborations.

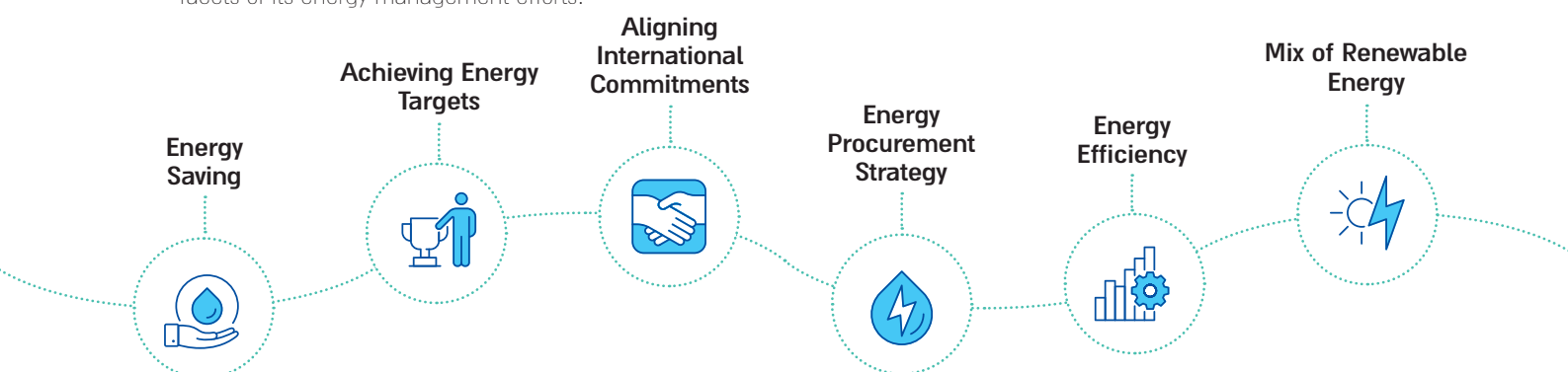
Policy Documents

Mekorot is committed to integrating ESG aspects into its operations; therefore, it has developed two policy documents addressing energy management and environmental protection and quality:

- **Energy Management Policy** - This policy reflects Mekorot's commitment to balancing a reliable and high-quality water supply with environmental and sustainability goals. As Israel's leading water management company and one of the country's largest electricity consumers, Mekorot views energy efficiency and the reduction of reliance on non-renewable energy sources as both a national and business imperative. The company is actively integrating green technologies and advancing projects aimed at expanding the use of renewable energy, including generating electricity from water and solar energy.

Mekorot is dedicated to full compliance with laws, regulations, procedures, and accepted norms, both within Israel and internationally, while meeting regulatory requirements. The company is also focused on fostering a green organizational culture, promoting energy conservation, and raising awareness among employees and suppliers. Every project and activity undertaken is evaluated holistically, considering its environmental, public, and economic impact.

Mekorot is committed to continuous improvement, adopting a risk-based management approach to energy efficiency. The company is focused on reducing greenhouse gas emissions and its overall carbon footprint, working to achieve sustainability in all facets of its energy management efforts.



- **Environmental Protection Policy** — Mekorot is committed to preserving the environment and protecting natural resources for future generations, while ensuring compliance with legal requirements, regulations, and environmental protection standards. The company works to reduce its environmental footprint while preserving natural water sources and promoting advanced environmental technologies. Mekorot operates a comprehensive environmental enforcement program that includes control mechanisms and instructions for implementing environmental regulations at all company facilities. As part of its commitment to a circular economy, Mekorot integrates advanced mechanical, biological, and technological processes to enable the reuse of wastewater. Additionally, in accordance with the international agreements to which Israel is a party, Mekorot is committed to joint activities with research institutions and academia to promote environmental innovation through support, guidance, and participation in environmental studies.

**Restoration of
Streams and
Returning
Water to Nature**



**Reduction of
Chemical Use and
Waste Across the
Country**



**Preserving
and Reducing
Water Loss**



**Increasing the
Use of Renewable
Energy**



**Improving
Energy Efficiency**



Maala Rating

Since 2011, Mekorot has participated in the Maala Corporate Responsibility Rating, which evaluates the management of environmental, social, and governance (ESG) issues among Israel's leading public and private companies. Mekorot is proud to have maintained the highest rating, **Platinum+|AA**, in the 2024 Maala Rating, reflecting its outstanding performance in 2023. This is the fourth consecutive year Mekorot has achieved this top rating. Additionally, the company was ranked first in the 'Infrastructure and Energy' category, underscoring its commitment to sustainability, responsible management, and its significant impact on both the community and the environment.



Company: **Mekorot**
2024 Index: **Platinum+ | AA**



Mekorot's ESG Strategy

2-23

As part of its longstanding role as Israel's national water company, Mekorot is committed to integrating its ESG strategy into the broader company strategy. Mekorot's ESG strategy has been carefully aligned with the company's overall strategic plan and focuses on the following key areas:

Positioning Mekorot as a leading water company



The leading government company

in efficiency and innovation



A global knowledge hub

on technological innovation in the water industry

Mitigating environmental risks



Cutting back emissions

by increasing the use of renewable energy



Restoring the natural environment in Israel

by discharging water into nature



Preventing pollution of water sources and nature

through improved efficiency in effluent processing and wastewater exhaustion

Mekorot's Environmental Targets

Mekorot has established targets within the core environmental areas of its operations as part of its commitment to continuous improvement, responsible resource management, and addressing the challenges of climate change. These targets are integrated into the company's strategic plan and reflect an overarching policy of operational efficiency, innovation, and reduction of the environmental impact of its activities:

- Maintain a specific energy consumption level of **1,300 Wh per cubic meter of water produced** by 2030.
- Planning target: Develop projects to install renewable energy facilities across company sites, with a total capacity of **250 MW** by 2030.
- Implementation target: Actual installation of renewable energy facilities at company sites, with a total capacity of **165 MW** by 2030.
- Reduce chemical usage for water disinfection **by 50%** by 2030.
- Maintain water loss levels at **4%** or below by 2030.



Material Topics

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Materiality analysis is a core process in the implementation of ESG (Environment, Social, Governance) practices within companies. The purpose of this process is to identify the most material topics for the organization across the economic, corporate governance, environmental, and social domains, thereby establishing a strategic foundation for the company's ESG activities.

As part of the report publication and in accordance with GRI standards, Mekorot conducted a comprehensive materiality analysis for the 2023 ESG Report⁶. The results of this process are the company's ten most material topics, which form the basis of this report and the company's activities in the areas of Environment, Social, and Corporate Governance:

#	Material Topics	Report Section
1	Water Supply Management	Environment
2	Climate Change	Environment
3	Environmental Management and Resource Efficiency	Environment
4	Human Capital Management	Society
5	Occupational Health and Safety	Society
6	Customer Service	Society
7	Business Strategy and Operational Resilience	Governance
8	Innovation and Technological Leadership	Governance
9	Integrity, Ethics, and Anti-Corruption	Governance
10	Compliance and Regulation	Governance



⁶ For a detailed overview of the full materiality analysis process, see the [2023 ESG Report](#).

Stakeholder Dialogue

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Mekorot engages with a diverse range of stakeholders who both impact and are impacted by its operations, either directly or indirectly. The company maintains regular dialogue with these stakeholder groups through various channels, with different levels of engagement and frequency. The primary focus of these interactions is centered on the water sector in Israel and Mekorot's ongoing activities. Mekorot believes that adopting a comprehensive and sustainable approach, supported by collaboration and open dialogue with its stakeholders, is essential to effectively addressing the sustainability challenges in the water sector.

Below is a list of communication channels through which Mekorot interacts with its stakeholders:

Stakeholders	Description of Key Stakeholders	Dialogue Channels
Government Offices	<ul style="list-style-type: none"> Ministry of Energy Ministry of Finance Ministry of Economy State Comptroller's Office Ministry of Foreign Affairs Ministry of Environmental Protection Ministry of Agriculture Ministry of Health Ministry of Defense Knesset Committees Ministry for Regional Cooperation 	<p>Mekorot maintains continuous communication with various government offices as part of its daily operations and professional discussions. These government offices and statutory authorities oversee several aspects of Mekorot's activities, including issuing permits, managing water allocations, and addressing infrastructure-related matters.</p>
Statutory Authorities	<ul style="list-style-type: none"> Governmental Authority for Water and Sewage Government Companies Authority Nature and Parks Authority Keren Kayemet Le'Israel (Jewish National Fund) Israel Land Authority Regional Planning Committees Israel Antiquities Authority Drainage Authorities 	<p>Additionally, Mekorot representatives actively participate in the Infrastructure Companies Forum, which promotes ongoing dialogue aimed at overcoming barriers to advancing infrastructure development across the country.</p>
Local organizations and institutions	<ul style="list-style-type: none"> Academia Environmental Organizations 	<p>Mekorot maintains an ongoing dialogue with academic institutions in Israel. These collaborations include academic research and partnerships, joint initiatives, support for the development of water-related courses, as well as mentoring and guiding students in their final projects. In addition, Mekorot provides scholarships to students engaged in fields relevant to the company's core activities.</p> <p>Mekorot also updates the Society for the Protection of Nature in Israel and other environmental organizations from time to time on changes and innovations taking place in the field.</p>
Customers	<ul style="list-style-type: none"> Local Authorities Water and Sewage Corporations Agricultural Associations Industry 	<p>Mekorot serves approximately 3,000 customers. Customer relations are primarily managed directly by the operational regions.</p> <p>During 2024, as part of the implementation of a computerized customer management system, the company conducted dialogue sessions with its customers focused on improving service and understanding needs to maintain service quality.</p>
Mekorot Employees	<ul style="list-style-type: none"> Employees at Mekorot Sites and in the Headquarters Departments 	<p>Mekorot provides several channels for employees to communicate with management. Employees can engage with the Human Resources unit, which centralizes their inquiries, or through employee representatives. Additionally, formal and informal meetings, such as "CEO Coffee" sessions, roundtable discussions, and employee conferences, are held throughout the year to foster open dialogue and facilitate direct interaction between management and employees.</p>

Stakeholders	Description of Key Stakeholders	Dialogue Channels
Communities	<ul style="list-style-type: none">Environmental ActivistsCommunity CommitteesLocal AuthoritiesVolunteer Organizations in Areas Where Mekorot Has Significant Operations	Engaging in dialogue with local communities is a key element of Mekorot's management approach to public engagement. The company organizes awareness conferences and meetings with community members, while also publishing educational materials through social media and traditional media outlets. These efforts aim to enhance public understanding of Mekorot's activities and promote awareness of water-related issues.
Suppliers	<ul style="list-style-type: none">SuppliersContracting Companies	Mekorot engages in dialogue with suppliers through various channels, including supplier conferences, roundtable discussions, and regular communication with the procurement and bidding units, as well as with operational division representatives responsible for contracts. As part of its sustainability strategy, Mekorot also promotes a commitment to ESG values among its suppliers during the contracting process, encouraging responsible and sustainable practices across its supply chain.

As part of its ongoing dialogue with stakeholders, Mekorot held various meetings aimed at fostering collaboration and creating shared value:

- Israel Electric Corporation:** In 2024, Mekorot held quarterly meetings with a dedicated team to remove barriers and strengthen collaboration between the two organizations.
- Netivei Israel:** Mekorot engaged in a unique partnership focused on infrastructure development.
- Inter-Ministerial Forum for Standardization:** Mekorot participated in this forum for the construction and infrastructure sectors in Israel, contributing to the development of supporting systems for infrastructure planning and supplier rating.
- Government Companies Infrastructure Coordination Forum:** Mekorot is an active participant in this forum, working alongside other government companies to advance national infrastructure projects, including transportation, electricity, and water. The forum enables collaboration, joint learning, barrier removal, and the development of solutions to common challenges.
- "Leading for Infrastructure" Program:** Mekorot participates in this joint initiative by the Jewish Agency and the State of Israel, aimed at developing a network of change agents for national infrastructure. The program addresses current and future infrastructure challenges, promoting more efficient project execution.



United Nations Sustainable Development Goals - SDGs

The United Nations Sustainable Development Goals (SDGs) are 17 global goals focused on sustainability. The goals were adopted by world leaders in 2015 as an urgent call to action by nations, with the intention of achieving them by the end of 2030. The goals reflect the most significant global challenges identified by the international community, encouraging governments, corporations, and non-profit organizations to collaborate on their resolution. The issues addressed by the goals are diverse and include, among others, gender equality, promoting responsible consumption and production, eradicating poverty, and taking action on climate change.



Mekorot, as a company with a broad social-economic impact on the local market, recognizes the importance of aligning its activities with the relevant United Nations goals and promotes the adoption and advancement of these goals within the Israeli economy.

After a characterization process, the company defined the most relevant development goals for its operations:



Goal 5

Gender Equality

UN Goals Relevant to Mekorot's Operations

- **5.1.** End all forms of discrimination against all women and girls everywhere
- **5.5.** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

Mekorot's Activities to Achieve These Goals

- Mekorot operates an internal women's mentoring program aimed at promoting women to management positions. The program includes personal and professional guidance by senior female managers and professional development. In 2024, 22 women participated in the program.
- Provision of scholarships for women's education as part of the Gender Equity Advancement Committee's activities.



Goal 6

Clean Water and Sanitation

UN Goals Relevant to Mekorot's Operations

- **6.1** By 2030, achieve universal and equitable access to safe and affordable drinking water for all.
- **6.3** By 2030, improve water quality by reducing pollution, minimizing the release of hazardous chemicals and materials, and ultimately halving the proportion of untreated wastewater while increasing the recycling and safe reuse of water globally.
- **6.4** By 2030, significantly increase water-use efficiency across all sectors to ensure sustainable water withdrawals and supply clean water to address water scarcity, thereby reducing the number of people suffering from water shortages.
- **6.6** Protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers, and lakes.

Mekorot's Activities to Achieve These Goals

- Continued development and connection of water infrastructure to remote and underserved areas, alongside the implementation of water supply agreements with the Kingdom of Jordan and the Palestinian Authority. Additionally, promotion of technological collaborations and provision of professional consulting services in the water sector in other countries, including India, Azerbaijan, Bahrain, Argentina, Kazakhstan, and Morocco.
- Ongoing efforts to optimize water infrastructure and invest in advanced technologies.
- Reduction in the use of chemicals for water purification through a gradual transition to electrolytic chlorination. A target has been set to reduce chemical usage by 50% by 2030.
- Conducting environmental surveys and water sampling throughout the entire supply chain to ensure safe, contaminant-free water of the highest quality.
- Injection of desalinated and floodwaters for the rehabilitation of water sources and aquifers, alongside planning for efficient utilization of water resources.
- Promoting a national infrastructure plan- NIP 100, to maintain production reserves from aquifers for the coming years.



Goal 7

Clean Energy

UN Goals Relevant to Mekorot's Operations

- **7.2** Significantly increase the share of renewable energy in the global energy mix by 2030.
- **7.4** By 2030, enhance international cooperation to facilitate access to clean energy research and technologies, including renewable energy, energy efficiency, and cleaner and more advanced technologies for fossil fuels, and promote investments in energy infrastructure and clean energy technologies.

Mekorot's Activities to Achieve These Goals

- Expansion of renewable energy production projects (solar and hydroelectric) at company sites.
- Promotion of tenders to increase the use of solar energy within the company's infrastructure.





Goal 9

Industry, Innovation, and Infrastructure

UN Goals Relevant to Mekorot's Operations

- **9.1** Develop quality, reliable, sustainable, and resilient infrastructure, including local and cross-border infrastructure, to support economic growth and well-being, with an emphasis on affordable and equitable access for all.
- **9.4** By 2030, upgrade infrastructure and improve industries to make them more sustainable, alongside increasing resource use efficiency and the widespread adoption of clean and environmentally friendly technologies and industrial processes. All countries participate according to their capabilities.
- **9.5** Enhance scientific research, upgrade the technological capabilities of the industrial sector in all countries, particularly in developing nations, and by 2030, promote innovative R&D and increase the number of R&D workers and R&D expenditures in the private and public sectors.
- **9.a** Assist in the development of sustainable and resilient infrastructure in developing countries through improved economic, technological, and technical support for African nations.

Mekorot's Activities to Achieve These Goals

- Investment in high-quality, efficient, and durable infrastructure, alongside upgrading water infrastructure and optimizing excavation processes for water pipeline installation.
- Conducting R&D and implementing innovations in water and infrastructure to explore ways to improve existing technologies.
- Collaborations and agreements with various countries to enhance their water infrastructure and facilities.
- Technological partnerships to advance environmental initiatives: environmental treatment of desalination brine and wastewater, sustainable management of treated wastewater, and reuse for agriculture.
- Investment in local startups aimed at integrating innovative technologies and improving water supply and quality through efficiency, energy savings, cybersecurity, and more.



Goal 12

Responsible Consumption and Production

UN Goals Relevant to Mekorot's Operations

- **12.2** By 2030, achieve sustainable management and efficient use of natural resources.

Mekorot's Activities to Achieve These Goals

- Ongoing activities to optimize water infrastructure, maintain low water loss rates, and invest in advanced technologies.
- Development of efficient water technologies aimed at maintaining the sustainable management of natural water resources.
- Reduction of chemical usage in water treatment through electrolytic chlorination.
- Minimization of natural resource consumption and operational efficiency in water pipeline installation.
- Promoting research and implementing new technologies for the treatment of wastewater and sludge generated during purification processes, with the goal of ensuring their quality and redirecting them for agricultural use and energy production.



Goal 13

Climate Action

UN Goals Relevant to Mekorot's Operations

- **13.1** Strengthening resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
- **13.2** Integrating climate change measures into national policies, strategies, and planning.

Mekorot's Activities to Achieve These Goals

- Establishment of clear targets for reducing emissions from company operations.
- Reduction of the carbon footprint through investment in energy-efficient systems and expanded use of renewable energy sources that do not generate greenhouse gas emissions, such as solar and hydroelectric power.
- Management of climate risks within the company, led by the Risk Management Unit, including conducting a climate risk survey to map and assess risks.
- In 2024, company management approved the development of a work plan to evaluate preparedness for the impacts of climate change on company facilities and operations. During the year, two workshops were held to identify gaps and opportunities.



Goal 15

Life on Land

UN Goals Relevant to Mekorot's Operations

- **15.4** By 2030, ensure the conservation of mountain ecosystems, including their biodiversity, to enhance their capacity to provide benefits essential for sustainable development.
- **15.a** Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.

Mekorot's Activities to Achieve These Goals

- Collaborating with the Nature and Parks Authority and KKL-JNF (Keren Kayemeth Le'Israel-Jewish National Fund) during infrastructure and maintenance work.
- Incorporating environmental considerations during the development of infrastructure projects.
- Taking measures to prevent the spread of invasive species at company sites during development and maintenance work.
- Returning water to nature and rivers (e.g., the Kaziv, Bezet, southern Jordan, Yarkon, Bokek rivers, and the future restoration of the Tzalmon River).
- Conducting work in accordance with environmental surveys and protecting the existing biodiversity in the areas where work is conducted.
- Implementing a light pollution reduction project in facilities located in ecologically sensitive areas.



ENVIRONMENT



Water Supply Management

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Mekorot leads Israel's water sector and is responsible for the comprehensive management of water production, transmission, and treatment processes. The company plays a central role in ensuring a reliable and high-quality water supply for all residents of Israel and for a variety of water uses, including households, agriculture, and industry. To this end, Mekorot continuously manages water production, monitors and safeguards water quality, while implementing measures to reduce water loss and minimize the potential risk of contamination to water sources and soil.

Due to the limited availability of natural water resources in Israel, Mekorot strives for systemic management of the water economy by emphasizing water resource management and the prevention of overexploitation, while conducting ongoing monitoring and seeking alternatives to conventional water supply. Accordingly, and as part of Mekorot's strategic plan, the company works to produce water through a variety of channels to meet the needs of households, agriculture, and industry in Israel. To this end, Mekorot operates in coordination with the Government Authority for Water and Sewerage and in accordance with its approvals and directives.



Mekorot extracts, purchases, and supplies drinking water from several sources:

- **Groundwater:** Mekorot extracts water through drilling from various aquifers⁷, including the Yarkon, Taninim, Coastal Aquifer, Sea of Galilee Basin, Western Galilee, Carmel, Eastern Mountain, Negev, and Arava. Water is pumped from these aquifers based on the quantities determined by the Operations Committee of the Governmental Authority for Water and Sewage. The company carefully monitors water levels to ensure sustainable extraction and prevent over-exploitation of these vital resources.
- **Surface Water:** The company extracts water from the Sea of Galilee and springs, primarily located in the northern region of Israel.
- **Desalinated Water:** Mekorot operates facilities for producing desalinated water from seawater and brackish water, in addition to purchasing desalinated water from private producers. The company is actively working to increase the volume of desalination to reduce dependency on natural water sources, supporting long-term sustainability and resource preservation.
- **Floodwater:** Mekorot captures floodwater in riverbeds, which is then treated at designated facilities for two purposes: supplying water for domestic consumption and supporting irrigation needs. This process helps maximize the use of natural water resources, contributing to both water sustainability and agricultural support.

Production and Extraction Data

(Water Supply (Mm ³))	2022	⁸ 2023	2024
Freshwater	1,398	1,411	1,502
Brackish Water	133	129	130
Treated Wastewater and Shafdan	218	239	237
Total Water Supplied	1,749	1,780	1,869
Amount of Desalinated Water Purchased ⁹	532	584	542

⁷ A subsurface rock layer that contains water and serves as a source of groundwater.

⁸ An update was made to the 2023 data.

⁹ Desalinated water is purchased and supplied as part of the freshwater supply.

Water Supply

Regular supply of high-quality drinking water is the primary measure of the company's success. Mekorot faces a gradual and ongoing increase in water demand driven by two main factors: first, natural population growth; and second, the impacts of climate change and global warming, alongside a decrease in the availability of natural water sources. Recognizing that water is a finite resource, Mekorot is committed to managing it prudently and sustainably, aiming to meet current demand while also providing for the long-term needs of diverse water consumers, including households, industries, and agricultural fields. In Israel, where desertification is expected as a result of climate change, the optimal solution for drinking water consumption from natural sources is reliance on desalinated seawater. This alternative requires changes in water supply systems, strengthening of the transmission network and production facilities, and reduction of dependence on drinking water from natural sources.

Maintaining Water Supply Resilience During Crises

As the national water infrastructure company, Mekorot is committed to maintaining high operational continuity and preparedness for complex emergency situations. The company's management system is supported by dedicated crisis management procedures, including scenarios involving infrastructure damage, power outages, water shortages, and security incidents. In emergencies, Mekorot serves as the executive arm of the Water Authority and is responsible for ensuring a steady water supply to all consumers, including essential institutions and the economy. Mekorot operates according to defined protocols and makes necessary adjustments to guarantee continued water supply, water security, and quality, while ensuring communication and ongoing operations in compliance with regulatory guidelines. The company acts on three main fronts: connecting consumers to alternative water systems, reducing areas dependent on a single water source, and linking isolated areas to the national water network. Additionally, Mekorot prepares to utilize surplus water and backup supplies during crises, including advanced preparation for potential overloads in the national electricity system that could disrupt desalination facilities.

The year 2024 presented challenges regarding water supply. The "Sorek 2" desalination facility, which was scheduled to commence operations at the beginning of the year, did not become operational as planned due to various circumstances, including the impacts of the war. Additionally, the Ashdod desalination plant was out of service during the summer months for renovation and maintenance, resuming operation only at the end of the year. The 2024 water supply plan, developed by the Water and Sewage Authority's Operations Committee, relied on a combination of different water sources, including desalinated water. Due to the aforementioned constraints, the actual supply of desalinated water was lower than planned, necessitating ongoing operational adjustments to ensure the continuity of water supply.

In 2024, precipitation levels were above average, enabling Mekorot to increase water production from the Sea of Galilee to 273 million cubic meters, compared to the original plan of 80 million cubic meters. The company's ability to transfer water from various sources through the national water system was a critical factor in maintaining supply stability and adjusting to customer needs. Despite the challenges posed by these circumstances, water supply to customers was fully maintained.

Integrated water management, operational flexibility, optimization of transmission systems, and the work of field personnel in cooperation with regulators have enabled Mekorot to fully meet national demand. Proper preparedness and prudent operation during unforeseen constraints have allowed Mekorot to maintain resilience in the national water supply.



Control and Monitoring to Ensure Continuity of Water Supply

To ensure continuous water supply, Mekorot operates nine control and monitoring centers that remotely and in real-time manage approximately 2,700 water facilities, including wells, pumping stations, and water pipelines. These control centers receive hundreds of thousands of daily data points from the field, providing a comprehensive status overview of water quality, security, and supply at both the individual facility level and across all facilities. Additionally, the company employs local systems that enable automatic operation without intervention from the control centers. When necessary, these systems allow the control center to remotely intervene in routine operations through secure, online connections. Mekorot also operates a remote meter reading system, which facilitates remote reading of water meters and issues alerts in cases of tampering, damage, or meter failure.

During 2024, Mekorot advanced the planning and establishment of a national control and monitoring center designed to enhance coordination and synchronization among regional control rooms and to ensure optimal management of the national water system. The national control center will integrate five main components: a national water supply and quality operations and control unit, a national security center, a cyber monitoring and control center, a communications network monitoring and control center, and a main operations room for command and control. The center will provide a broad and comprehensive overview of all water sources and consumption demands during routine operations and emergencies, delivering tailored responses to the evolving needs of water consumers.

Connecting Isolated Areas to the National Water Transmission System

In 2024, Mekorot continued implementing projects aimed at supporting the development of communities and agriculture throughout Israel, while working to maintain the quality of life for residents in remote areas. The company is advancing the connection of disconnected regions to the national water system, with the goal of increasing the reliability of water supply and ensuring full continuity of access to drinking water, agricultural water, and water for nature and tourism in these areas. The main regions include Ma'ale Kinneret, the Golan Heights, the Eastern Valleys, the Jordan Valley, the Western Galilee, and the Arava region. These efforts are carried out in coordination with the Government Authority for Water and Sewerage and in accordance with its approvals and directives.

Desalinated Water

Given climate change, population growth, and the continual increase in water demand, there is a growing need for innovative solutions to ensure a reliable, continuous, and high-quality water supply. To this end, desalination facilities in Israel are being established and expanded to strengthen supply reliability and reduce dependence on natural water sources.

Mekorot operates desalination plants and membrane systems¹⁰ for producing drinking water and agricultural water, while simultaneously sourcing desalinated water from private concessionaires as an alternative water supply.



Mekorot's Development Plan for Receiving and Transmitting Water from Desalination Facilities

Mekorot's development plan includes strategic mega-projects for receiving and transmitting water from new and expanded desalination facilities located along the coastal strip and the Gulf of Eilat. Some of these projects are in the planning stages, while others are already under construction.

As part of these efforts, extensive engineering infrastructures are being established, including large-diameter transmission pipelines, reservoirs and operational pools with capacities of hundreds of thousands of cubic meters, and dedicated pumping stations designed for high flow rates.

As part of Mekorot's current three-year development plan for 2023–2025, intake and conveyance systems are being constructed for the Western Galilee desalination facility, the expanded Sorek desalination facility, and the Sabkha Eilat desalination facility, which is planned for expansion. As part of the development plan for the coming years, additional infrastructure is planned for the upcoming Emek Hefer desalination facility and the expanded Ashkelon facility. To advance these projects, the company is promoting several National Infrastructure Plans designed to facilitate the necessary permitting processes.

Environmental Impact Management Arising from Desalination Processes

Although the desalination process plays a central role in ensuring Israel's water security, it also poses environmental challenges—foremost among them is the discharge of concentrated brine¹¹ produced during the desalination process into the sea. Accordingly, Mekorot operates its facilities in compliance with the regulations of the Ministry of Health and the Ministry of Environmental Protection.

Mekorot works to reduce the impact of brine on the marine environment by developing technologies to decrease nitrate levels in the brine and by minimizing the volume of brine discharged into the sea, in accordance with discharge permits. Additionally, the company regularly evaluates new technologies and conducts research to identify environmentally friendly chemicals, alongside initiatives to reduce chemical usage and promote energy efficiency at its facilities.

Mekorot's ongoing investment in desalination enables the treatment of water through desalination and membrane filtration from diverse sources, including treated wastewater and river water. This approach maximizes the utilization of water resources while supporting the rehabilitation of natural water sources in Israel. Additionally, investment in desalination allows the company to use its desalination facilities as emergency reserves during outages of seawater desalination plants operated by private suppliers.

In 2024, the percentage of desalinated water¹² out of the total water supplied by Mekorot to its customers was approximately 32%.

¹⁰ A technological system designed for filtering and separating unwanted substances from water, used in desalination processes and wastewater treatment.

¹¹ Byproduct of the desalination process, composed of salts and minerals.

¹² The desalinated water includes purchases from private desalination providers as well as water desalinated at Mekorot's own facilities for drinking and agricultural use.

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Transmission System

The "National Water Carrier" and the "New National Water Carrier" serve as the cornerstones of Mekorot's national water supply system. The original National Water Carrier, established in the 1960s, was designed to transfer water from northern Israel to the central and southern regions. Today, it transports more than half of Israel's drinking water across approximately 13,000 kilometers.

In response to the country's evolving needs, Mekorot initiated the "New National Water Carrier," which integrates desalinated water from five desalination plants along the Mediterranean coast into the national system, reversing the flow of water supply from west to east. Additionally, the New National Water Carrier supplies desalinated water to the Jerusalem area through the "Fifth Line to Jerusalem," designed to meet the projected growth in water consumption over the coming decades.

Water Supply Efficiency

Water resource management and the efficiency of the transmission system are at the core of Mekorot's operations. As such, the company is committed to optimizing water usage, investing in technologies that improve infrastructure efficiency, and preventing leakages. These efforts help reduce energy consumption, operational costs, and the need for infrastructure expansion.

The water transmission system plays a key role in Mekorot's ability to supply water across the country. The company ensures the proper maintenance of transmission lines to minimize water loss during the transmission process. At the same time, Mekorot works to improve the efficiency of pumping units at water sources and pumping stations, aiming to lower energy consumption.

Mekorot is responsible for the proper functioning of transmission systems and conducts monthly monitoring of water supply efficiency. This is carried out by engineering departments and operational area managers. Efficiency and water loss reduction are regularly tracked and reported to senior management and the Board of Directors.

Energy Efficiency in Water Systems

Mekorot implements initiatives to enhance energy efficiency and reduce operational costs by integrating automation systems in control rooms to monitor reservoir and pool levels and optimize pump operations. The company utilizes computerized models to forecast consumption and optimize energy use in water systems. Mekorot continuously monitors and manages pump performance by analyzing real-time data and adjusting pump operations to align with consumption needs and network conditions, aiming to maximize energy efficiency. Additionally, Mekorot works to optimize energy tariffs by shifting pumping times from peak to off-peak hours, making optimal use of water storage volumes while expanding storage capacity. The company replaces low-efficiency motors and transformers and conducts monthly monitoring of water balances in areas with abnormal pressure to detect leaks or other faults. Mekorot maintains pump efficiency through continuous monitoring in compliance with Ministry of Energy regulations and engineering division guidelines, economically justifying the replacement of dozens of pumps annually to improve energy efficiency. Mekorot reports annually to the Ministry of Energy on the efficiency results of pumping equipment, including any pumps that do not meet installation requirements.

Mekorot operates approximately 1,020 wells, of which around 750 are active, and about 2,050 booster pumps of various types. According to Ministry of Energy regulations, a minimum efficiency level of 55% is defined for wells and 65% for booster pumps. At Mekorot, pump units are periodically replaced even when their efficiency does not fall below the regulatory minimum. Such replacements are carried out when investing in new pump units with higher efficiency is economically and operationally justified. The existing pump units at Mekorot exceed the efficiency levels required under the Ministry of Energy guidelines.



¹³ There has been an update to the water loss data for 2023.

Water Loss Management and Monitoring

Mekorot continuously works to reduce water loss in its systems through integrated activities for leak detection, repair, and prevention. The transmission system is monitored continuously and in real-time for flow and pressure parameters, enabling immediate detection of leaks. The company regularly evaluates advanced technological solutions to maintain low water loss and reduce it as much as possible.

Mekorot's reported water loss rate for 2024 is 4.07%, compared to 4.2% in 2023¹³. The reported loss percentage is calculated as the ratio of total water loss to total water usage.

Water Quality Standards and Laboratories for Water Management and Control

To ensure the supply of drinking-quality water, Mekorot conducts continuous monitoring and control, including the operation of control rooms staffed 24/7 to assess water quality and detect contaminants throughout the entire supply chain– from the water source to the final delivery point.

Annual water quality testing is performed according to a sampling plan that complies with drinking water regulations and is approved by the Ministry of Health. The sampling plan is implemented both at production facilities and within the water supply system. Each sampling event includes testing for multiple parameters (microbial and chemical) either in certified laboratories or on-site.

Mekorot's water quality control measures include preventive sanitary surveys, routine quality testing at production, acquisition, treatment, and supply facilities, and controlled disinfection of water at the exit points of production and acquisition facilities, all in accordance with Ministry of Health guidelines. Additionally, continuous turbidity measurements are taken to monitor water clarity.

As part of the oversight of water systems, data and alerts are received from water quality measurement devices, including instances of threshold exceedances or suspected system malfunctions. Any alert indicating a potential malfunction is immediately addressed through corrective actions and, if required, reported in real-time to the Ministry of Health. Corrective actions may include adjusting disinfection levels, diverting water exceeding turbidity limits to settling reservoirs, switching drinking water sources to alternatives, flushing and draining pipelines, and conducting follow-up water tests to monitor the effectiveness of the measures taken.

In line with its commitment to transparency toward the public and stakeholders, Mekorot annually publishes the "Drinking Water Quality Report"¹⁴ in accordance with drinking water regulations. This report is publicly accessible and describes the water quality over the past year, including a summary of any exceptional incidents.

- **In 2024, a total of 146,867 microbial and chemical tests were conducted in accordance with regulations and Ministry of Health guidelines.**
- **In 2024, over 99.9% of all microbial and chemical tests performed were found to be compliant.**

¹³ For detailed information and further insights, please refer to the [2024 Drinking Water Quality Report](#) (Heb).



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Protection of Water Sources

Mekorot works to prevent and minimize the contamination of water sources as part of its commitment to protecting this natural resource. With approximately 2,700 facilities spread across the country, water sources and transmission systems are exposed to various forms of pollution, including groundwater contamination due to the infiltration of pollutants into the soil— particularly at facilities located near industrial sites, sewage lines, and waste disposal areas.

Mekorot takes action to reduce discharges into the environment as much as possible and to limit the use of substances with environmental risks. These actions include replacing the use of lubricating oil with water in drilling processes and transitioning to electrolytic chlorination as an alternative to transporting hazardous materials. In cases where Mekorot is not authorized to directly address and regulate environmental hazards, the company refers such incidents to the relevant regulatory authorities to enforce their powers and address potential risks.

Water source protection activities are anchored in the Public Health Regulations (Sanitary Quality of Drinking Water), 2013. In addition, Mekorot operates under a structured internal procedure that defines uniform guidelines for identifying, reporting, monitoring, and addressing environmental hazards in areas of supply systems and drinking water sources.



Removal of PFAS from Drinking Water Wells

Per- and Polyfluoroalkyl Substances (PFAS) are a family of highly stable organic chemical compounds known for their persistence, tendency to migrate over long distances, and potential health effects. Due to these concerns, the Ministry of Health has decided to adopt the European Union's directive setting a threshold of 0.1 mg/L for 20 key PFAS substances, with implementation scheduled by January 2026.

Several surveys and tests have been conducted in Israel to detect the presence of PFAS, revealing varying concentrations in several Mekorot wells as well as in private wells, with some wells exceeding the concentration limits recommended by the European Union. In response to these findings, Mekorot has chosen to focus on implementing a proven PFAS removal solution at its facilities—adsorption technology. Additionally, the company conducted a series of laboratory experiments and a field pilot at one of its wells to evaluate and compare different technologies for removing PFAS from groundwater. The pilot operation provides valuable insights into various operational issues affecting the routine functioning of PFAS treatment facilities at the wells.

Wastewater and Reclaimed Water Management

Untreated wastewater poses environmental and public health risks and can contaminate natural water sources. Mekorot has developed unique capabilities for recycling wastewater and returning it for agricultural use across the country, particularly in the Negev region, and aims to continue advancing these advanced technological capabilities. To this end, the company integrates some of the world's most advanced mechanical, biological, and technological processes in wastewater treatment, transforming wastewater from an environmental nuisance into a water resource supplied as treated effluent for agricultural irrigation, and even enabling the reuse of reclaimed water for domestic purposes. Using technology unique in the world, the treated effluent undergoes an additional biological upgrade through soil aquifer treatment, elevating the reclaimed water to the highest quality standards.

Treated wastewater reuse encompasses all complementary processes following secondary and tertiary treatment performed at wastewater treatment facilities, aiming to enable the reuse of treated effluent for agricultural irrigation. These processes include necessary treatments to maintain the engineering stability and water quality stability in reservoirs, measures to prevent algal and zooplankton blooms that cause clogging in irrigation systems, and the installation of pumping stations and filtration systems at reservoir outlets to remove clogging agents. Additionally, water quality monitoring is regularly conducted in the reservoirs to assess compliance with agricultural quality standards as per existing regulations. Finally, the treated effluent is disinfected according to regulatory requirements and supplied to consumers..

Climate Change

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As Israel's national water company, Mekorot operates extensive infrastructure across the country, making it highly vulnerable to the diverse impacts of climate change. Climate change is one of the most significant challenges of our time, potentially affecting water availability and quality, damaging critical infrastructure, and impacting overall quality of life. However, it also presents opportunities for the development of advanced technologies and improved operational efficiency. As the global focus on climate risk management and identifying opportunities grows, this issue has become increasingly important for companies like Mekorot. Consequently, evaluating the risks and opportunities associated with climate change has become an integral part of Mekorot's preparedness strategy, aligning with its organizational responsibility. Given the high level of uncertainty and the dynamic nature of climate risks, the company has adopted a flexible approach to managing these risks.

Climate Risk assessment

Climate change and global warming have the potential to impact the company's infrastructure and operations both through extreme weather events and gradual long-term changes. These impacts can be categorized into two main families of risk:

- **Physical Risks:** This category includes direct risks arising from climate change. Physical risks are characterized by extreme weather events and gradual changes in climate and the environment, which may cause damage to infrastructure, company assets, and ongoing operations.

Within the family of physical risks, the following main types of risk can be distinguished:

- **Acute Risks:** These risks arise from extreme weather events such as heatwaves, floods, and widespread wildfires. Such events can cause sudden disruptions and economic damages.
- **Chronic Risks:** These risks stem from long-term changes in weather patterns, such as gradual temperature increases, shifts in precipitation patterns, rising sea levels, and intensification of extreme weather events. These phenomena may affect water availability and quality, infrastructure performance, and lead to increased maintenance and operational costs.
- **Transition Risks:** This category includes risks arising from the shift to a low-carbon economy, which requires changes and adaptations to address and mitigate climate risks. These risks encompass changes in government policies and regulations, including the imposition of carbon taxes, setting greenhouse gas emission reduction targets, and stricter environmental standards. Additionally, transition risks involve uncertainties related to technological maturity that may impact company operations, as well as shifts in consumer preferences and public norms related to climate.

As mentioned, events such as wildfires, floods, prolonged droughts, or rising sea levels can impact daily operations and damage water supply and infrastructure. In response to these challenges, Mekorot undertakes proactive preparedness and risk mitigation by developing long-term reduction and adaptation plans.

In 2022, Mekorot conducted a climate risk survey to identify and prioritize potential risks. In 2024, the survey was validated and deepened through professional workshops aimed at understanding the implications of these risks and tailoring preparedness measures. The survey findings were integrated into Mekorot's risk map and multi-year work plan. Based on the survey results, Mekorot decided to implement an ongoing in-depth process to identify areas for addressing potential climate scenarios to which the company may be exposed in the coming years through 2100.



Mekorot's preparedness is based on the National Climate Change Adaptation Plan, which defines four potential scenarios for climate impacts:

- **Hotter:** Rising temperatures leading to heavy and prolonged heatwaves in various regions of Israel.
- **Drier:** Decrease in precipitation, increased frequency of droughts, and worsening of extreme dry conditions.
- **More Extreme:** Increased frequency and intensity of extreme weather events such as storms, hail, and widespread floods.
- **Higher:** Rising sea levels causing damage to infrastructure located near the coastline.

As part of the climate risk survey, the following risk topics were identified, among others:

- **Reduced precipitation and increased desertification:** This may lead to a reduction in natural water sources, increased drought frequency, and heightened pressure on natural water reserves such as the Jordan River.
- **Increase in dust and sand days:** This can cause a decline in air quality, extreme dry conditions, and an elevated risk of wildfires, particularly in areas where facilities are located near groves and forests.
- **Rising sea levels:** This may affect Israel's coastal areas, causing soil erosion, increased flooding, salinization of freshwater sources, and damage to infrastructure.
- **Extreme heat:** This can strain electrical systems, disrupt treatment and supply processes, and cause operational interruptions that may lead to reduced water quality, water contamination, and changes in the stability of chemicals used in water treatment.

Multi-Year Work Plan for Climate Risk Management

In 2024, the company's management developed and approved a multi-year work plan to address climate risks. The plan is based on an analysis of four reference scenarios, aligned with climate trends in Israel. The company conducted an in-depth assessment of the impacts of these climate scenarios on operational and financial aspects, mapped the associated risks, and formulated recommendations for managing climate risks, including outlining the necessary steps should these scenarios materialize.

The work plan includes, among other elements, tailored engineering and financial preparedness, development and implementation of preparedness plans for human capital resources, establishment of a system for ongoing climate risk management, and enhancement and completion of the work plan based on issues raised during professional workshops.

Energy Efficiency

Mekorot is one of the largest electricity consumers in the country. The company's strategic plan focuses on sustainable development, with a commitment to continually advancing energy efficiency. To this end, Mekorot has established an energy management division dedicated to achieving targets and ensuring compliance with applicable standards. Each year, Mekorot publishes an Energy Summary Report presenting the outcomes of its targets, new initiatives, implementation status, and measurement results. This report serves as a foundation for decision-making aimed at further improving energy efficiency.



Strategic Energy Efficiency Initiatives

- **ISO 50001 Energy Management Certification:** In 2024, the company achieved certification to the ISO 50001 standard, marking a significant milestone in the company's energy management. Adoption of the standard includes the implementation of structured energy management procedures, clear definition of responsibilities, and continuous improvement of energy performance in accordance with international guidelines.
- **Use of an Online Optimal Operational System for Water Management:** Mekorot operates an advanced smart operational management system that improves the efficiency of water system operations and reduces energy costs. As part of this effort, a "Monitoring-Control-Operation" (MCO) system was implemented on the third line, enabling dynamic updates to operational plans based on changes in forecasted consumption. Additionally, the company operates a pump optimization model that prioritizes pump operation based on energy efficiency levels, favoring more energy-efficient pumps. The system focuses on 60 major pumping stations, which account for approximately 60% of the company's electricity consumption, enabling maximum efficiency and significant energy savings.
- **Pumping Equipment Efficiency:** Mekorot continuously monitors pump efficiency and undertakes repairs and replacements of pumps that are not energy efficient, establishing an optimal operating sequence to achieve maximum energy savings. In 2024, 31 pumps were refurbished or replaced, resulting in an estimated electricity cost savings of approximately 2 million NIS.
- **Renewable Energy:** In order to lead the transition to renewable energy and reduce its carbon footprint, Mekorot is advancing additional projects to install hydroelectric turbines and solar systems for internal use. As part of efforts to reduce carbon emissions and replace diesel-powered generators, Mekorot is promoting an innovative pilot for electricity generation from green hydrogen.
- **Advancement of Solar Systems Upgrade Project:** During 2024, Mekorot completed the upgrade of two solar systems at the Sabkha desalination facility in Eilat, which were originally installed approximately a decade ago. This initiative was undertaken to improve system efficiency following the natural decline in equipment performance and to integrate innovative technologies that optimize the operation of the facility, including its energy production and consumption.
- **Establishment of Solar Energy Production Facilities:** As part of a process announced by the Israel Electricity Authority in cooperation with the Israel Electric Corporation to increase grid capacity and integrate solar energy production facilities, Mekorot won a lottery to establish nine production facilities at company sites. In 2024, the tender phase was completed, and the company is currently in the process of selecting contractors for the construction of the solar systems.

Use of Diesel Generators

Mekorot maintains diesel generators as part of its emergency preparedness, primarily for use during electricity shortages. The company utilizes these generators under a voluntary load-shedding agreement with the Israel Electric Corporation. Under this arrangement, during periods of high electricity demand, the Electric Corporation disconnects power supply to Mekorot, which then relies on self-generated electricity from its diesel generators. In accordance with regulations from the Governmental Authority for Water and Sewage and mandatory emergency sector guidelines, some of Mekorot's facilities are equipped with diesel generators kept in a ready state to ensure continuous water supply during emergencies.

In 2024, Mekorot commissioned approximately 20 diesel generators for its facilities in accordance with the Emergency Sector Standard, designed to ensure uninterrupted operation even under emergency conditions, as well as seven additional diesel generators acquired specifically for emergency purposes. Additionally, a mega diesel generator was installed at the Eshkol station of the national water carrier, enabling the provision of extensive electricity supply when needed.



Diesel Fuel Refreshment

Mekorot periodically refreshes diesel fuel every five years to ensure the integrity and availability of its diesel generator fleet. This process is performed by an external contractor under the supervision of the Emergency Sector Maintenance Supervisor in the operational regions.

During the process, diesel is drawn from storage tanks, thoroughly filtered on-site, and then returned to the tanks free of sediments and contaminants. This procedure reduces the risk of pollutant buildup, which could impair the proper functioning of diesel generators and affect their availability when needed.

Fuel refreshment contributes to the company's operational efficiency and continuity by reducing the risk of malfunctions caused by poor fuel quality. This process thus supports the reliability of Mekorot's energy backup systems and ensures their readiness during emergencies.

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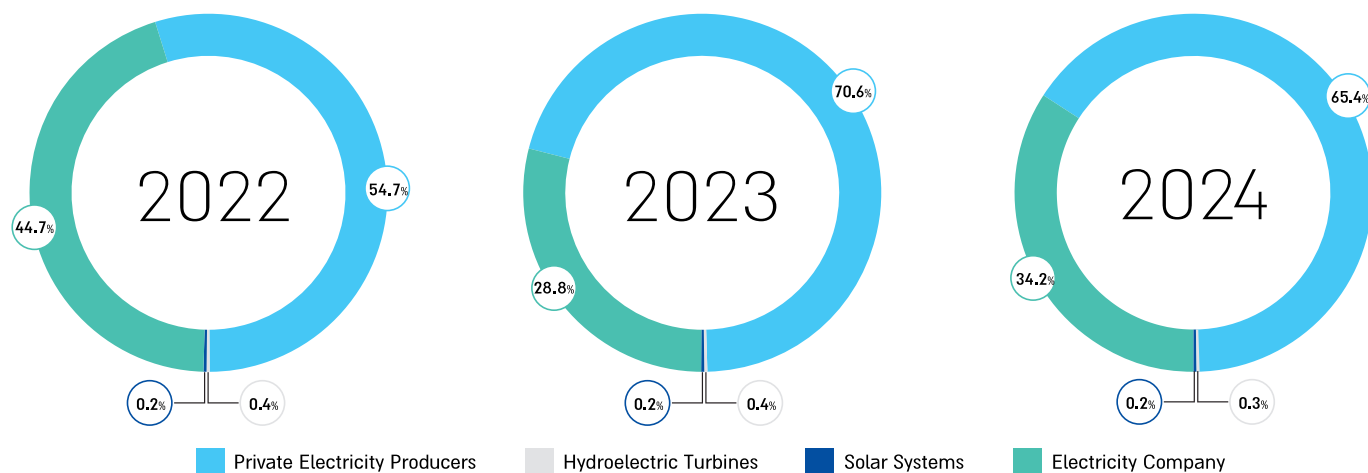
Energy and Fuel Consumption:

Item	2022	2023	2024
Renewable Energy Generated Internally (MWh)	14,584	14,083	12,098
Electricity Consumption from Private Power Producers (MWh)	1,296,500	1,682,800	1,677,600
Electricity Consumption from the Israel Electric Corporation (MWh)	1,058,300	686,900	877,200
Total Electricity Consumption by Mekorot (MWh)	2,369,384	2,383,783	2,566,898
Gasoline Consumption for Transportation (Liters)	999,633	801,456	502,375
Diesel Consumption for Transportation (Liters)	1,993,813	1,356,252	1,041,451
Diesel Consumption for Generators (Liters)	414,500	436,500	472,500
Total Fuel Consumption by Mekorot (Liters)	3,407,946	2,594,208	2,016,326
Electricity Consumption per Volume of Water Supplied (MWh/Mega-Liter)	1.35	1.34	1.37

In 2024, the company's total electricity consumption increased due to changes in the water source mix and a significant rise in water supply originating from the Sea of Galilee. Additionally, to enhance supply reliability during the "Swords of Iron" war, the company maintained high storage levels, even at the expense of increased energy consumption-measures taken to ensure operational continuity and prevent disruptions in water supply.



Energy Consumption Breakdown at Mekorot



Renewable Energy Production (MWh)

Item	2022	2023	2024
Hydroelectric Turbines	8,914	8,516	6,972
Solar Systems for Internal Consumption	5,670	5,567	5,126
Total Renewable Energy Production	14,584	14,083	12,098

During 2024, there was a decrease in electricity generation from renewable sources at the company's sites. This decline resulted from several factors, including operational restrictions imposed due to the security emergency during the "Swords of Iron" war, which led to planned or temporary shutdowns of production facilities. Additionally, technical malfunctions at several sites caused partial turbine outages, as well as a reduction in self-consumption of renewable energy, partly due to decreased operational activity at pumping stations. In cases where the energy was not utilized for self-consumption, surplus electricity was fed back into the national electricity grid.

- Renewable energy production in 2024 totaled 12,098 MWh, equivalent to approximately 5,298 tCO₂e of avoided emissions.
- 2024 marked a record in energy efficiency at Mekorot, with energy cost savings amounting to approximately 63 million NIS, compared to savings of 57 million NIS in 2023.

Fleet Distribution by Engine Type

Engine Type	2022	2023	2024
Electric	-	17	28
Hybrid	247	203	183
Plug-in (Gasoline/Diesel)	646	687	723
Total	893	907	934



305-1
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305-5

Carbon Footprint

Greenhouse gas (GHG) emissions are considered one of the main drivers of climate change. Their impact is closely monitored due to concerns over their effects on ecosystems, public health, and the global economy. Mekorot views the reduction of GHG emissions as an integral part of its environmental responsibility. To this end, the company invests in the efficient management of energy consumption and the improvement of production and conveyance processes, with the aim of reducing emissions and minimizing the overall environmental impact of its operations. In recent years, Mekorot has chosen to participate in the Ministry of Environmental Protection's voluntary mechanism for the registration and reporting of GHG emissions.

Mekorot measures its carbon footprint according to accepted methodologies in the field, as part of its internal analysis to assess the company's overall environmental impact. The company's GHG emissions data encompass both direct and indirect emissions throughout its value chain:

- Scope 1:** Mekorot's direct emissions primarily result from fuel combustion by the company's vehicle fleet, fuel combustion in generators as part of agreements with the Israel Electric Corporation, and the company's emergency preparedness measures.
- Scope 2:** Mekorot's indirect emissions arise from electricity consumption and depend on the fuel mix and water supply demands.
- Scope 3:** Mekorot's additional indirect emissions stem from activities within the company's supply chain and operations, including the production, transportation, and services related to materials and components essential to its operations.

Mekorot's Carbon Footprint Breakdown by Scopes (tCO₂e)¹⁵:

Scopes	2022	2023	2024
Scope 1	11,446	6,912	5,476
Scope 2	1,056,988	959,552	1,027,753
Total	1,068,434	966,464	1,033,229

In Scope 1, during 2024, emissions decreased by approximately 20% compared to 2023. This reduction is attributed to increased use of electric vehicles and decreased reliance on fossil fuel-powered vehicles.

In Scope 2, emissions increased by approximately 7% in 2024 compared to 2023. This increase resulted from higher electricity consumption required to maintain the continuous operation of water transmission and supply systems, as well as enhanced operational preparedness due to the security emergency during the "Swords of Iron" war.

Greenhouse Gas Emissions Reduction Plan

During 2024, Mekorot developed a strategic plan to examine the reduction of greenhouse gas emissions from its operations through 2050. The plan included mapping, assessing, and measuring¹⁶ the company's activities across the entire value chain, identifying major emission sources, and reviewing possible alternatives for achieving emissions reductions from the company's operations.

As part of the company's strategic vision for emissions reduction, management approved¹⁷ an absolute emissions reduction target of 40% across all company activities¹⁸ by 2050, relative to the baseline emissions data from 2023.

Additionally, in 2024, the company formulated a work plan for 2025, derived from the strategic plan, aimed at exploring practical measures to reduce greenhouse gas emissions from its operations in the short term.



Steering Committee on Carbon Emissions Reduction

Another initiative developed in 2024 was the establishment of a dedicated steering committee to lead the company's carbon emissions reduction process. The committee will convene monthly and work to formulate and implement a multi-year emissions reduction plan, develop metrics for monitoring and tracking progress, evaluate innovative technologies and existing solutions, promote internal sustainability policies, and foster collaborations with external stakeholders- including governmental bodies, private entities, and environmental organizations.

The committee's authorities include:

- Establishing subcommittees to advance the committee's areas of activity.
- Submitting recommendations to management on policies and investments related to carbon emissions reduction.
- Providing ongoing reports to company management on progress, actions, and achievements, alongside publishing an annual progress report.

The committee is chaired by Mekorot's Vice President of Engineering and includes representatives from various core departments within the company, such as engineering, energy, quality management, water security, planning, procurement, transportation, and more.

¹⁵ Aligned with the GHG Protocol Methodology.
¹⁶ Scope 3 data for the years 2023-2024 will be presented, where possible, in the 2025 ESG Report to provide comparative figures.
¹⁷ The target was approved subject to economic feasibility.
¹⁸ Scopes 1, 2, and 3.

Environmental Management and Resource Efficiency

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Mekorot emphasizes responsible use of natural resources and the integration of environmental considerations throughout all work processes. The company is committed to developing and adopting advanced technologies and environmental innovations with the aim of reducing environmental impacts and providing water of the highest quality, while striving for maximum efficiency.

Environmental Surveys

Environmental risks to water sources constitute a matter of national importance, as they can adversely affect water quality and endanger public health. To ensure the quality of drinking water and prevent the realization of environmental risks, Mekorot conducts preventive environmental and sanitary surveys. These surveys are performed in accordance with the Public Health Regulations on the Sanitary Quality of Drinking Water and the Ministry of Health's guidelines regarding the execution and submission of sanitary-engineering surveys for water facilities as mandated by law. The surveys aim to identify potential contamination sources that could harm or pollute groundwater in all of the company's drinking water wells.

As part of the surveys, comprehensive mapping is conducted of all components of the water supply system, including production, transmission, storage, treatment, monitoring, and control processes. The surveys enable the identification of vulnerabilities and possible threats to water quality, alongside the development of corrective action plans to address potential risks. The surveys are conducted at frequencies required by the drinking water regulations. According to the regulations, a preventive survey must be conducted annually for water treatment facilities, every five years for drinking water production facilities, and every ten years for the drinking water supply system.

In 2024, all systems that were inspected were found to be in proper working order. The findings of the surveys falling under Mekorot's responsibility are being addressed as part of a structured work plan, coordinated with the Ministry of Health.

Reducing Excavation Volumes and Import of Backfill Materials- Environmental Efficiency in Pipeline Installation

203-1

Since 2013, Mekorot has led a cross-company project aimed at improving efficiency in excavation and pipeline laying processes to reduce the environmental impact of pipeline infrastructure works. The project focuses on minimizing excavation volumes and significantly reducing the need to import backfill materials by employing narrow trench excavation methods and utilizing locally sourced soil materials, including clay soil.

Over the past two years, a significant new phase was implemented involving the use of Controlled Low-Strength Material (CLSM), resulting in approximately a 75% reduction in the volume of imported backfill material per kilometer of pipeline. Currently, the project is being widely applied across all relevant projects, with this method expected to reduce an estimated 45,000 transport trips per year, while also decreasing pollutant emissions, air and noise pollution, and conserving natural resources.

The project incorporates engineering innovation exemplified by the development of a unique round excavation bucket, which is currently undergoing patent registration by Mekorot. This bucket allows for precise and controlled excavation, perfectly matched to the pipe diameter, minimizing excess excavation. As a result, Mekorot achieves an optimal environmental and economic balance.

Reduction of Chemical Use in Water Disinfection Processes

Mekorot is committed to significantly reducing the use of chemicals in water disinfection processes as part of its policy to improve safety, environmental sustainability, and operational efficiency. The company implements an advanced water disinfection technology in its wells using the CQMW system, which performs electrolytic chlorination- a process where an electric current is passed through water containing natural chlorides to produce a hypochlorite solution used for disinfection. This process is carried out without the use of external chemicals.

In cases where the natural chloride concentration in the water is insufficient or where disinfection of a high-flow water source is required, table salt is added to the system, enabling continued production of the necessary disinfectant on-site without the use of hazardous materials. This method reduces the need to purchase, transport, and store hazardous chemicals near populated areas, thereby minimizing associated environmental and logistical risks.

Mekorot aims to increase its in-house chlorination capacity in the coming years. A target approved by the Water Authority sets a goal of reducing chemical use by approximately 50% by 2030.



Waste Management

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As the national water infrastructure company, Mekorot strives to provide water with maximum availability, reliability, and quality, through processes of water treatment and testing. These processes generate waste, including occasional hazardous waste. The company ensures proper disposal of this waste in accordance with regulations and subject to the guidelines defined in its hazardous materials permit conditions. As part of its commitment to environmental responsibility, Mekorot invests significant efforts in improving its waste treatment and management processes.

Implementation of Waste Reporting and Documentation Processes at Mekorot

As part of the company's Environmental Quality and Protection Policy and in alignment with its environmental vision, a process for waste reporting and documentation was established. This process included the development of a waste collection policy and procedure, tailored to the company's organizational structure and activities. The policy and procedure documents define the various types of waste, provide a regulatory overview of applicable treatment requirements, and outline a structured process for documenting and reporting waste types across all company sites. Internal reporting annexes specify responsibility allocation for reporting within operational regions and water supply units, along with best practices for improving efficiency in waste transfer for recycling and reuse. As of the report publication date, the policy and procedure documents are undergoing final approval by company management as part of the company's formal management processes.

In 2024, the implementation phase of the reporting and documentation process commenced, including data collection based on mapping performed in 2023. Concurrently, various organizational actions were undertaken, such as the addition of missing cardboard recycling facilities at company sites, systematic electronic waste disposal, the introduction of orange recycling bins, and improvements to the company's recycling processes.

Waste Data

As the company responsible for the construction and maintenance of water infrastructure, Mekorot's operational volume varies from year to year based on the number of projects, the scope of malfunctions and repairs, as well as external factors influencing the quantity and types of waste reported annually.

Types of Waste	2023	2024
Total Hazardous Waste⁹	442	204
Hazardous Waste Sent for Disposal	442	153
Hazardous Waste Sent for Recycling	-	51
Total Solid Waste	7,506	7,635
Solid Waste Sent to Landfill	6,640	7,163
Solid Waste Sent for Recycling	866	472

⁹ In 2024, the data include a distinction between waste sent for recycling and waste sent for landfill. This change forms the basis for the future reporting methodology.



Management and Preservation of Ecological and Biological Systems

Mekorot embraces a sustainable management approach aimed at preserving ecological systems and biodiversity. The company places great importance on safeguarding natural and landscape values and, in this context, has developed comprehensive guidelines that serve as a foundation for detailed planning by facility engineers and landscape architects in complex engineering projects.

In accordance with these guidelines, Mekorot works to minimize the land footprint of its facilities and integrate them into the natural environment through tree planting, environmental development, facility painting to blend with the landscape, and site rehabilitation. In certain cases, depending on the nature of the work, Mekorot provides "environmental compensation" by establishing lookouts, bike paths, and other amenities.

Mekorot Biodiversity Team

In 2023, Mekorot established a Biodiversity Team to promote initiatives and actions aimed at reducing damage to natural habitats and halting biodiversity loss. The team's activities included developing a structured methodology for measuring and preserving biodiversity, as well as creating collaborations with relevant professional bodies.

Between 2023 and 2024, a variety of activities were undertaken in this field, including:

- Reviewing, mapping, and monitoring past projects, such as reducing light pollution, biological pest control using owls, and the use of environmentally friendly pesticides.
- Consolidating local initiatives carried out across the company's operational regions.
- Holding meetings with relevant professionals both within the company and externally.
- Formulating ideas for future projects in cooperation with relevant companies and organizations.

In 2024, Mekorot held meetings with the Israel Nature and Parks Authority, the Ministry of Environmental Protection, the Jewish National Fund, and the Israel Electric Corporation to explore and expand collaborations for the conservation of ecological systems and the reduction of the environmental impact of its activities.

Advancing a Tree Planting Program

During 2024, Mekorot, in collaboration with KKL-JNF (Keren Kayemeth Le'Israel-Jewish National Fund) and the Israel Nature and Parks Authority, promoted a tree planting program in open areas at company sites across the country. As part of the program, extensive planting activities took place in the first quarter of 2025. The trees planted through this initiative are expected to provide habitat for numerous species, reduce the company's ecological and carbon footprint, preserve soil quality, and contribute to water quality.

The activities will include tree planting ceremonies at several of the company's water supply units, with participation from management and employees at various company sites. As part of the initiative, Mekorot invited bereaved families among its employees to participate in tree planting in memory of their loved ones who fell during the "Swords of Iron" war. The plantings will be carried out according to regional adaptations, with trees supplied by the KKL-JNF and the Israel Nature and Parks Authority.



Restoration and Conservation of Natural Water Sources

Mekorot places great importance on environmental protection and the preservation of natural and landscape values, viewing the restoration and conservation of natural water sources as a central element in the sustainable management of the water sector. The existence, preservation, and long-term rehabilitation of natural reservoirs and aquatic habitats present significant challenges. These reservoirs provide high-quality natural water at low cost, and their geographic distribution across the country reduces the risk of centralized damage, enables operational flexibility, and shortens transportation distances. Additionally, the volume of these reservoirs allows for seasonal and multi-year water storage and regulation on a national scale, contributing to the preservation of the biodiversity dependent on them.

As part of its efforts to restore water sources, Mekorot actively recharges aquifers to improve and rehabilitate their quality and operates wells for the restoration and purification of contaminated or salinized water. The company also serves as the state's representative in aquifer rehabilitation projects²⁰ and is responsible for establishing and operating pumping facilities for pollutant treatment. In line with its commitment to biodiversity conservation and aquatic habitat restoration, Mekorot promotes the return of water to nature.

In 2024, the company returned approximately 48 million cubic meters of water to nature and recharged an additional 20 million cubic meters, with a focus on stream and aquatic habitat restoration.

²⁰ This restoration process requires government funding and regulatory approval for implementation.

Reducing the Environmental Impact of Water Discharges

Mekorot's ongoing operational activities occasionally require the discharge of water into the environment as part of essential maintenance operations, compliance with Public Health Regulations, and ensuring the quality and safety of the water supplied through the network. Mekorot operates under a regulated annual discharge permit, in coordination with the Water and Sewage Authority and the Ministry of Environmental Protection and carries out discharges in accordance with the permit and related requirements. In cases where discharges are needed beyond the scope of the annual permit, the company requests a dedicated discharge permit.

This matter is managed and monitored by the company's headquarters, and most discharges are from drinking water wells, posing no risk of soil contamination. All discharges are reported directly from the field to the relevant stakeholders.

Light Pollution Reduction Program

For over five years, Mekorot has been implementing a transition program to environmentally and ecologically friendly lighting at its facilities, in collaboration with the Israel Nature and Parks Authority, the Society for the Protection of Nature in Israel, the Ministry of Environmental Protection, and the Water Authority. The program focuses on reducing nighttime lighting at Mekorot facilities, ensuring lighting operates only when necessary, with the goal of minimizing the negative effects of artificial light on the ecosystem.

Lighting design at company facilities has been adapted to operational needs while reducing light spill. In facilities where constant lighting is required, bulbs have been replaced with soft LED lighting. Currently, lighting has been reduced during nighttime hours, except at facilities that remained lit when needed in 2024 due to security constraints and coordination with relevant authorities.

Today, dedicated procedures are implemented and applied in ongoing and planned projects in accordance with the light pollution reduction program. These include a lighting design procedure, a procedure for reviewing lighting design at facilities, adjustment of illumination intensity based on usage types, and a procedure for examining photometric planning. Mekorot plans to continue this process in 2025 at several selected facilities according to a defined list.



Prevention of Invasive Species

Invasive species pose a significant threat to biodiversity and ecosystems. As part of its commitment to preserving Israel's biodiversity, Mekorot has formalized an agreement with the Society for the Protection of Nature in Israel, the Israel Nature and Parks Authority, the Ministry of Environmental Protection, and the Governmental Authority for Water and Sewage. This agreement outlines guidelines for preventing the establishment and managing invasive plant species during the construction and development of the company's facilities and infrastructure. During 2024, meetings were held with the "Teva-Biz" initiative and the Israel Nature and Parks Authority to refine these guidelines and develop procedures for preventing and managing invasive species within facility operations. Additionally, as part of field staff training on pest control, Mekorot collaborated with the Israel Nature and Parks Authority, which delivered lectures on managing invasive species to raise awareness and emphasize the importance of their control.

Biological Pest Control Using Owls

Mekorot continues to expand its biological pest control activities using owls as part of the national initiative for employing owls and falcons in agricultural areas. The company has installed dozens of nesting boxes near water reservoirs with the aim of helping reduce rodent populations and decreasing the need for harmful rodenticides, as rodents constitute the primary food source for owls.

This initiative contributes to the protection of reservoir embankments as well as electrical and communication infrastructure, thereby supporting reliable water supply and safeguarding groundwater quality. As of the report publication date, approximately 220 nesting boxes are distributed nationwide, with plans to install additional boxes in various Mekorot projects during 2025.

Use of Environmentally Friendly Pest Control Methods

Mekorot is evaluating technological solutions for preventing and managing rodent damage at its facilities, with a focus on environmentally friendly methods. During 2024, pilot projects were conducted at three sites experiencing significant rodent infestations, testing several alternatives:

- **Real-time monitoring:** Installation of cameras and sensors inside cabinets at the sites, combined with trapping devices in conduits and access pathways to occupied areas. Upon detecting movement indicative of rodent presence or in the event of a capture, an alert is sent to the service center for further action.
- **Ultrasonic deterrent system:** Use of electronic devices that emit sounds at unique frequencies to discourage rodents from inhabiting the area.
- **Lighting deterrent:** Installation of specialized lighting in control cabinets that acts as a natural deterrent to rodents.

As of the report publication date, the pilot projects are ongoing, and upon completion, conclusions will be drawn to select the most effective alternatives for implementation at relevant company sites.

SOCIAL



Human Capital Management

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3-3



Mekorot employed
1,569
employees in 2024



Approximately
99%
of Mekorot's employees
are covered by collective
bargaining agreements



About
86%
of the workforce consists
of permanent employees
(including locally permanent
staff)



100%
of employees underwent
performance evaluations and
feedback processes



7.9%
of employees hired in 2024 are
from underrepresented groups
in the labor market



Mekorot won **first place** in the 2024 Human
Resources Excellence Competition in the
category of HR performance during wartime
for the project **"Water Under Fire –
360° Resilience Approach"**



Mekorot ranked **first** among infrastructure
companies and **14th** overall in the
**"100 Best Companies to
Work For"**
ranking by BDI code in 2024



Employees are the company's most valuable asset, and Mekorot views them as the foundation of its success. Accordingly, the company is committed to providing a safe and respectful work environment. The core values guiding Mekorot in general—and the company's management in particular—are collaboration, mutual respect, transparency, and effective communication. Mekorot places great importance on safeguarding employee health and safety and fostering a workplace that promotes equal opportunities as well as the personal and professional development of its employees. The relationship between the employee organization and management is led by the Vice President of Human Resources and the Chairperson of the employee organization, and the company regards its employees and employee representatives as partners in its mission and activities.

In recent years, Mekorot has undertaken a broad digital transformation at both the business and organizational levels. This has included replacing outdated core systems and automating manual processes with advanced technologies. The digital transformation aims to upgrade the human resources function from a unit primarily focused on personnel management and payroll administration to an advanced and leading HR organization.

"Water Under Fire"- 360° Resilience Approach

During the "Swords of Iron" war, Mekorot acted to ensure full operational continuity while safeguarding the security, welfare, and physical and mental health of all employees nationwide. The Human Resources Division developed and led a dedicated emergency response framework based on personalized personnel management, providing tailored support to each employee, grounded in a deep understanding that people are the company's core strength.

The approach focused on three key resilience dimensions: personal and financial security, individual support frameworks, and mental health support. The initiative included the establishment of tailored infrastructures, formulation of specific emergency procedures and processes, strengthening of community and meaning, provision of individualized support through personal networks, and the creation of adaptive management routines in collaboration with supervisors.

Among other measures, a 24/7 mental health support hotline was made available to employees and their families, financial aid was granted to employees evacuated from their homes, personal protective equipment was supplied, and armored vehicles were provided for field staff. Additionally, full salaries were maintained for all employees throughout the period. Regular check-ins by managers with employees were conducted to identify needs and provide prompt support, resilience activities for employees' children were organized, and community volunteer initiatives were carried out to reinforce a sense of mission and partnership.



מימדי החוסן הארגוני

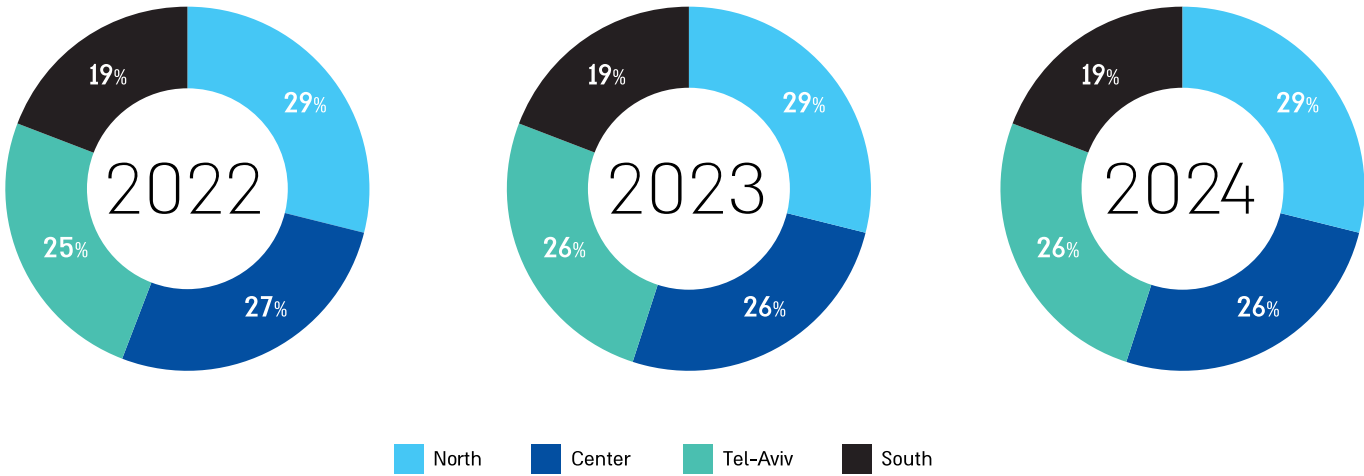


Workforce Overview²¹

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401-1
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	2022			2023			2024		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Senior Management	2	10	12	9	4	13	8	5	13
Between 30-50	1	2	3	2	3	5	2	3	5
Over 50	1	8	9	7	1	8	6	2	8
Middle Management	29	17	46	34	15	49	36	15	51
Between 30-50	9	9	18	13	6	19	12	6	18
Over 50	20	8	28	21	9	30	24	9	33
First-Line Management	89	29	118	223	56	279	225	57	282
Under 30	1	-	1	-	-	-	-	-	-
Between 30-50	31	19	50	74	34	108	75	35	110
Over 50	57	10	67	149	22	171	150	22	172
Employees	1,020	366	1,386	877	342	1,219	880	339	1,219
Under 30	61	31	92	42	21	63	57	20	77
Between 30-50	506	221	727	455	210	665	461	212	673
Over 50	453	114	567	380	111	491	362	107	469
Total	1,148	414	1,562	1,143	417	1,560	1,149	416	1,565

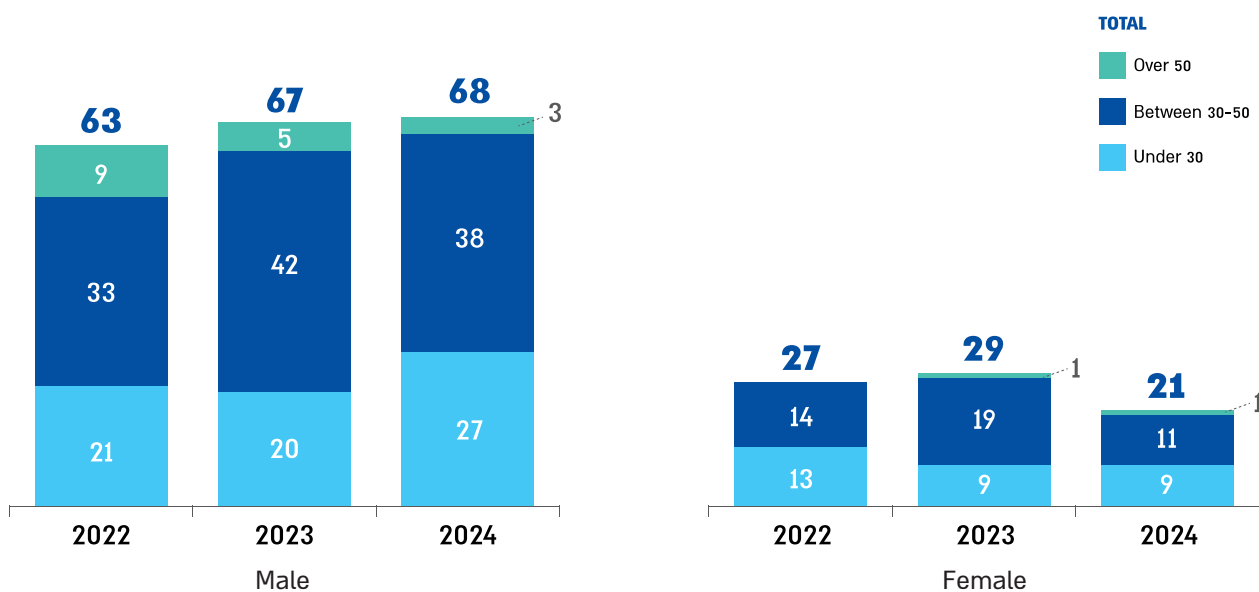
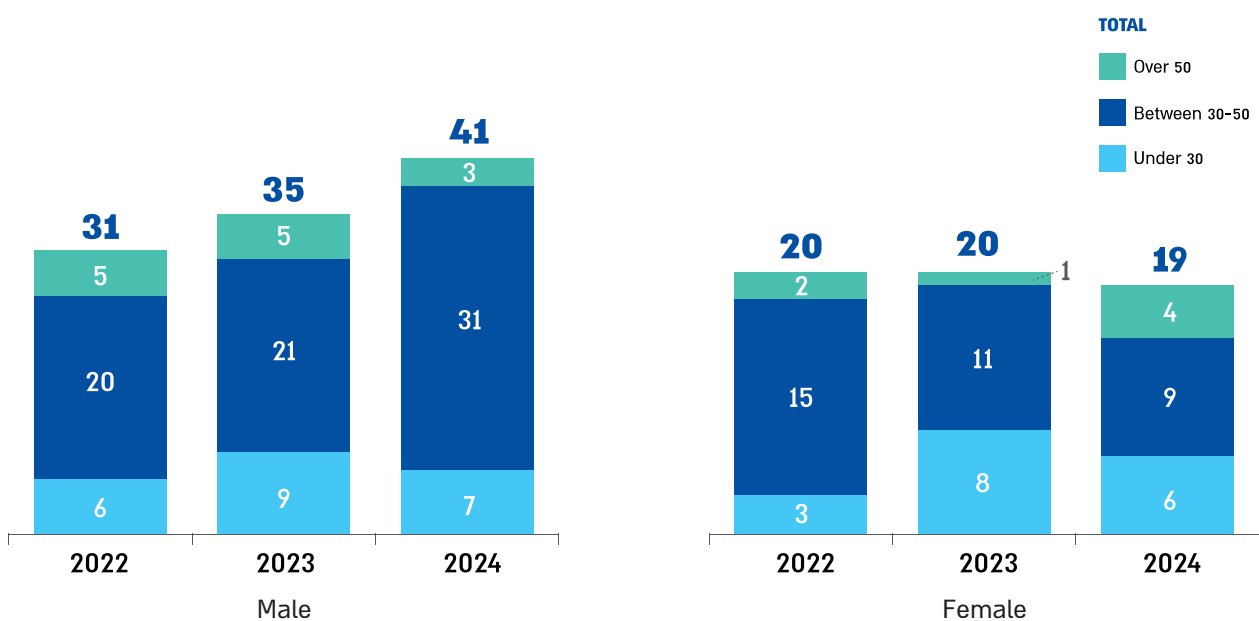
Geographical Distribution of Mekorot Employees



²¹ Employee data is accurate as of December 31, 2024, based on Mekorot's internal information systems.

Employee Turnover²²

Employee Onboarding

Employee Departures²³

²² Employee turnover data include daily (temporary) workers who conclude their employment with the company at most after a two-year employment period, except in exceptional cases where they become permanent employees.

²³ Employee departure data includes only employees who resigned or were dismissed, excluding those who retired.

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Employee Retention and Internal Communication

The company views organizational culture and climate as a key strategic component of its overall policy, directly impacting employee retention. Accordingly, the company’s diverse activities span multiple dimensions, including embedding organizational values, strengthening management tiers, and developing processes and tools to enhance transparency and collaboration, with an emphasis on internal communication. Additionally, the company invests in the personal and professional development of employees, empowerment of roles, organizational structure adjustment, and provision of rewards and benefits.

Mekorot promotes multi-directional communication channels between its various units. The company values cross-pollination and encourages dialogue among experts in their fields, based on the understanding that systemic thinking and inter-unit collaboration benefit both employees and the organization. Furthermore, Mekorot maintains an open dialogue between company management, including the CEO, and employees and managers through various channels such as “CEO Coffee” meetings, roundtable discussions, the “Forum 100,” an internal communication app, HR activities focused on employee experience, an innovation platform, and professional forums across diverse domains.

Feedback and Evaluation Processes

At the beginning of 2025, the company conducted the feedback and evaluation process for the year 2024. As part of this process, a personal discussion took place between the manager and the employee, which included reflection on the past year, discussion of goals for the upcoming year, and consideration of personal feelings and work experience. Throughout the year, all employees underwent evaluation and feedback as part of the company’s commitment to a culture based on dialogue, continuous improvement, and professional development. This marks the fourth consecutive year the process has been implemented as an integral part of the company’s management and learning culture.

Employee Services

Mekorot operates an online platform that centralizes information and tools for employee engagement within the company. The system includes details on employee rights, employment data, a digital tender mailbox, forms, an employee service desk, FAQs, and a social newsletter.

Additionally, there is a dedicated service mailbox- a centralized email address for employees that provides official responses on a variety of topics. This mailbox is designed to offer structured support to employees, including cases where employees are unsure of where to direct their questions or requests.

Employee Welfare and Benefits

401-2

Mekorot is committed to providing its employees with optimal conditions that enable a balance between personal and family needs and work demands. As part of this commitment, the company offers a wide range of benefits and conditions, including flexible working hours, parent-friendly positions with adapted schedules, and the option for remote work subject to management and regulatory approval.

The company’s recruitment and onboarding processes are structured and organized, including personal guidance from recruitment through retirement, tailored mentoring programs, determination of employment terms, management of employee entitlements according to collective agreements, and career advancement over time.

Beyond these, Mekorot grants vacation days in addition to statutory requirements, subsidizes medical check-ups and health insurance, and promotes a healthy lifestyle through activities such as a health month and the dissemination of supportive messages. The company also provides support during life events and crises for employees and their families, assists employees facing financial difficulties, and reimburses expenses for daycare and summer camps. Additionally, Mekorot contributes to academic tuition fees for eligible employees’ children and organizes enrichment lectures and workshops for employees and their families.

As part of its commitment to employee welfare, the company holds regular events to celebrate important milestones in employees’ and their families’ lives, such as the start of first grade, bar and bat mitzvahs, and recognition of outstanding employees. Mekorot also organizes team-building events, new employee conferences, tenure celebrations, and social gatherings, all aimed at fostering a strong sense of belonging among employees.

Retirement Preparation

404-2

As part of its commitment to fair employment practices and creating a safe and respectful work environment, Mekorot places great emphasis on developing knowledge and preparing its employees for retirement. This includes a “Retirement Seminar” held approximately six months prior to the retirement date, during which employees receive tools to help them cope with the upcoming transition. In 2023, this seminar was postponed due to the “Swords of Iron” war.

Additionally, retirees have access to the following resources:

- Provision of knowledge and useful information covering all relevant aspects of life during retirement, such as financial resources and budgeting in retirement, social security rights, pension entitlements, taxation matters, and more.
- Leisure activities and other programs for company retirees.

Mekorot ensures fair retirement conditions for all employees, with retirees’ rights protected under collective bargaining agreements. Most company employees retire with pension benefits, either through early retirement programs or age-related retirement, and receive benefits and grants in addition to the retirement preparation program described above.

Diverse, Equitable, and Respectful Employment

Mekorot is committed to ensuring equal opportunity and fairness in its recruitment, selection, and promotion processes, avoiding discrimination based on background, religion, race, gender, or nationality. All employees are entitled to equal rights. The company believes that a diverse human capital strengthens the organization and fosters an inclusive and pleasant work environment. As a government-owned company, Mekorot places great importance on promoting workforce diversity, with a focus on integrating underrepresented groups in the labor market. Workforce diversity expands the potential of human capital, enables high-quality recruitment from all segments of the population, fosters innovation and creativity, and generates shared value for both employees and the company. Mekorot has previously defined a diversity action plan and set workforce diversity targets. Currently, the company is updating this plan, in part due to recent amendments to the legislation regarding the employment of people with disabilities. This matter is managed by the Human Resources Division and its Vice President and is regularly reported to the management and board of directors. In addition, the company maintains ongoing collaboration with nonprofits and organizations specializing in the recruitment and placement of employees from underrepresented groups, including "Olim Beyachad," "Sikui Shaveh," and "Rayan Employment Centers." Mekorot continuously monitors regulatory updates on workforce diversity to ensure compliance with all applicable requirements.

Employee Data from Underemployed Populations:

Mekorot is committed to promoting diversity and inclusion in the workplace, guided by the belief that every individual brings unique value. The company actively encourages the employment of people with disabilities by fostering a supportive and accessible environment that enables all employees to integrate and progress.

Mekorot facilitates the recruitment of employees with disabilities through a dedicated coordinator within the Human Resources unit, responsible for providing ongoing support and addressing employees' needs throughout all stages of employment.



	2022			2023			2024		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Arab and Druze Population	24	6	30	21	8	29	21	7	28
Ultra-Orthodox Sector	4	4	8	5	3	8	4	2	6
Ethiopian Community	26	11	37	28	6	34	28	7	35
Employees with Disabilities ²⁴	40	10	50	37	9	46	30	10	40
Total	94	31	125	91	26	117	83	26	109

²⁴ Data related to employees with disabilities is based on the company's data collection systems and contain the levels of disability from mild to severe, according to internal-system classification.

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Advancing Gender Equality

Mekorot is committed to creating an inclusive and diverse work environment where every employee, regardless of gender, feels valued and respected. The company implements a comprehensive gender equality policy that enforces zero tolerance for discrimination or harassment based on gender and provides equal opportunities for professional development and career advancement based on merit. Mekorot advocates for equitable employment practices and rigorously safeguards women’s workplace rights.

As part of promoting gender equality, Mekorot undertakes various initiatives, including setting measurable quantitative targets for the professional and personal development of all employees. Additionally, the company organizes multiple annual lectures, meetings, internal communications, and dedicated activities to empower women on topics such as racism and gender equality, leadership, empowerment, excellence development, and branding. Furthermore, special lectures addressing women’s health and well-being are held, offering professional knowledge, practical tools, and a safe space for open dialogue and personal sharing. These activities receive high participation from female employees and contribute to strengthening the sense of belonging, engagement, and women’s empowerment within the company.

Additionally, Mekorot is operating, for the third consecutive year, an internal mentoring program aimed at promoting gender equality and providing practical tools for the personal and professional development of female employees. The program’s objective is to develop and nurture women for leadership positions through personalized coaching, professional mentoring, group enrichment sessions, and scholarships for relevant courses such as board directorship, time management, and mediation. Each participant is paired with a personal mentor for approximately six months. In 2024, 22 women participated in the program: 11 senior managers serving as mentors and 11 employees selected for their leadership potential. Moreover, some program graduates are currently in the process of being promoted to middle-management roles. As of the end of 2024, approximately 30% of management positions within the company are held by women.

405-2

Gender Pay Equity

In accordance with the collective bargaining agreement, there is no distinction in remuneration between women and men. Employees are hired and promoted based solely on their skills and the company’s needs. Furthermore, a comprehensive internal review conducted in 2024 found no significant gender pay gaps at Mekorot among employees performing similar roles. Mekorot continues to monitor gender pay issues continuously, with an ongoing commitment to balance and equal opportunity, ensuring a fair and respectful work environment.

Prevention of Harassment and Bullying

2-26

Mekorot takes every case of harassment, discrimination, or mistreatment of its employees very seriously and ensures immediate action in response to any reported incidents. The company is committed to fostering a workplace free of physical and verbal violence and harassment and provides comprehensive training and awareness programs to prevent such behaviors.

Complaints related to harassment and abuse are submitted through a structured reporting mechanism overseen by a designated officer responsible for these matters. Upon receiving a complaint, the officer follows a formal procedure to handle the case, supported by legal experts in the field.

Employees have multiple channels to file complaints, including email, an employee portal, and a physical mailbox, which allow for anonymous submissions if the employee chooses to do so. All complaints are centralized by the company secretary and forwarded to the appropriate parties for necessary action.

- In 2024, three complaints of sexual harassment were filed. Each complaint was thoroughly investigated, culminating in summary reports. One complaint resulted in termination of employment, while the other two led to recommendations that were fully implemented.
- In 2024, five complaints related to workplace abuse were submitted. These prompted thorough investigations that resulted in reports, with their conclusions fully enacted.

Employee Training and Development

404-2

Mekorot regards its human capital as the key to its success and invests significantly in the development and training of its employees and managers. The company believes that a skilled and professional workforce is essential for its growth and the achievement of its goals. To this end, a comprehensive training program has been developed, based on several parallel learning tracks: mandatory legal and regulatory training, professional development, managerial development, organizational development, and personal development. The Human Resources Division leads the learning and development processes across the entire organization. Upon completion of each training activity, the Organizational Development and Training Unit provides participants with qualitative feedback as well as anonymous evaluations, aimed at extracting lessons learned and improving future training programs.

Mekorot’s Employee Development and Training Activities:

- **Mandatory Legal and Regulatory Training:** Each year, a detailed learning program is developed based on the requirements of relevant regulators, with differentiated content tailored to the specific job roles requiring compliance training.
- **Professional Development:** An annual structured process is conducted to identify training needs across all company divisions, aimed at formulating a yearly work plan that provides professional development addressing the needs raised by internal knowledge centers.
- **Managerial Development:** A comprehensive training infrastructure has been established, including foundational

and advanced management skills, onboarding sessions for program graduates, and more. Additionally, various management forums tailored to the different organizational management levels have been created.

- **Organizational and Personal Development:** Mekorot implements a variety of initiatives for personal and organizational development, based on the belief that investing in human capital drives growth and excellence. One such initiative is the "Nachshon" program, designed to develop and empower employees identified as having high potential to contribute to the organization. The program provides tools to strengthen personal and professional skills, with approximately 25 non-management-level employees participating in each annual cohort. Mekorot views the "Nachshon" program as an opportunity to reinforce the value of excellence, enhance organizational engagement, improve employee performance, and foster the retention and development of the company's human capital. Additionally, the program equips employees with tools for personal growth and to increase their contribution both in their current roles and in the future.
- **Employee Training:** Company employees are entitled to apply for participation in individual professional training courses relevant to their roles. Upon approval, the company funds the training courses which take place during working hours and do not infringe upon employees' personal time.
- **Support for Academic Education:** Mekorot encourages its employees to further their academic education and acquire additional knowledge relevant to their fields. As part of this commitment, the company assists in financing tuition fees for eligible employees, subject to approval by the annual training committee.
- **Scholarships for Mekorot Employees:** As part of the Gender Equality Advancement Committee's activities and in collaboration with company management, Mekorot awards annual scholarships to women, reflecting its commitment to promoting gender equality and professional development. Every permanent female employee is entitled to apply for a scholarship in a field relevant to her current role or one with potential for professional or managerial advancement. This initiative exemplifies Mekorot's dedication to fostering excellence and personal fulfillment among its female workforce, providing tools for career development and realizing individual potential.
- **Digital Transformation Implementation:** The company conducts training for relevant employees in collaboration with the Technology Division as part of the deployment of new information systems, applications, and updated versions of existing systems. The training covers change management, business process learning, system operation, and organizational integration. Additionally, ongoing support is provided to end-users to ensure successful implementation of the new systems.

Mekorot's Commitment to the Community and the Environment

Community Engagement

Empowering the community is a core value at Mekorot and is integrated into all areas of its core operations. The company views the community as a key partner in advancing a sustainable reality, recognizing the public as a significant contributor to addressing environmental challenges. The Customer Relations and Corporate Responsibility Unit, together with the Human Resources Department, which share responsibility for this area, have set a goal to strengthen and develop engagement with stakeholders through increased community involvement.

Mekorot advances its social activities in areas closely linked to its core business, thereby creating value for both the community and the environment. It also promotes awareness and preservation of environmental values in general, and specifically in the water sector. Mekorot achieves this by leveraging the company's resources, collaborating with various community stakeholders, and implementing long-term projects, annual initiatives, and ad hoc activities.

Environmental Education

2-28

Given the national challenges facing Israel's water sector, there is a continual need to think ahead, including in the field of education. Over the years, Mekorot has conducted numerous activities to raise awareness and knowledge regarding the environment and water among various stakeholders, including academic institutions and community groups, such as:

- **Awareness Campaign during the Shavuot Holiday:** An educational campaign conducted in schools and kindergartens focused on the importance of water conservation, held during the holiday known as the "Water Festival."
- **Professional Conferences:** Participation in local and international conferences showcasing the company's activities in water management, sustainable development, and exposure to a variety of advanced water technologies.
- **Raising Awareness through social media:** Mekorot operates professional pages on Facebook, Instagram, LinkedIn, and X (formerly Twitter) to increase public awareness on environmental and water issues. At the end of 2024, the company launched a digital campaign across social media platforms highlighting its activities, employees, and innovation initiatives. In 2025, Mekorot plans to continue expanding its digital presence, promoting initiatives, and strengthening brand recognition across these channels.
- **Operation of Visitor Centers:** Our visitor centers serve as key platforms for community and public engagement, providing exposure to Mekorot's unique and advanced activities. Mekorot's largest visitor center has been operating at the "Eshkol" site since 2009, alongside the "Sapir" site near the Sea of Galilee, the "Einan" site in the north, and additional sites undergoing reopening in the central and southern regions. Throughout 2024, the "Eshkol"

site underwent extensive renovation and modernization and is expected to reopen to visitors in 2025. The site is essentially open to the public free of charge and hosts approximately 20,000 visitors annually, including children, retirees, and families. Additionally, the company offers virtual tours on various water-related topics at Mekorot sites, accessible to the public via social media platforms.

- **Promotion of Academic Research:** Mekorot actively promotes water-related research in collaboration with research institutions and universities.
- **Collaboration with Educational Institutions:** Mekorot partners with academic institutions and various educational programs, including "Ort Braude," "Atidim for Infrastructure," and "Atidim for Industry." Through these initiatives, Mekorot employees provide personal and professional mentorship to students. Most of these programs are conducted in peripheral regions.
- **Collaboration with Rishon Lezion Municipality:** In 2023, a water engineering study track was launched at the "Amit" School in Rishon Lezion, aimed at students from grades 7 through 12. The program is designed to cultivate the next generation of water engineers in Israel. It focuses on the Israeli water sector, the climate crisis, and sustainable solutions to address global warming, while fostering an understanding of the concept of "water" and its importance to the human body and the natural environment.
- **Ecosystems Project:** A European program for knowledge sharing between countries to develop methodologies for sustainability education, in which Mekorot began participating during 2023. As part of the project, Mekorot led a mentoring program for ninth-grade students from Holtz Technological High School, focusing on identifying water-related challenges, conducting pilots, and engaging in practical projects. The students had the opportunity to present Mekorot's water challenges in a hackathon, received guidance throughout the various stages of their work, toured Mekorot's facilities in Granot and Shafdan, and participated in the company's innovation conference. Mekorot will continue its involvement in the mentoring process as part of the program in the coming years.
- **Scholarships for Students:** Providing scholarships to outstanding engineering students at the Technion and Ariel College.
- **Internal Awareness Campaigns:** To raise awareness among all Mekorot employees, the company conducts online learning and dialogue sessions (webinars), distributes communications, learning modules, lectures, and instructional videos related to sustainability and environmental topics, and shares information on relevant content and conferences in the fields of environment and water, tailored to employees' professional roles.

Community Engagement Among Employees

In 2024, Mekorot employees actively participated in various social initiatives across a range of areas: education in peripheral regions and academia, assistance to those in need, collaboration with the "Or Lamishpachot" (A Light for Families) organization to visit bereaved families and distribute flower packages, support for different NGOs in hospitals, aid for the elderly and people with special needs, and more. Following the "Swords of Iron" war, many Mekorot employees mobilized to assist mainly in agriculture and in preparing food for soldiers. As a government-owned company, Mekorot is prohibited from making monetary or in-kind donations and is restricted in allowing employee volunteerism during working hours. Nevertheless, the company promotes community engagement through work plans and employee-led initiatives.

- Approximately 8,000 hours were dedicated to community engagement by Mekorot employees in 2024.
- Employees who participated in recurring community activities: 3.4% of all Mekorot employees, with an average of approximately 132.5 hours per participant.
- Employees who participated in one-time community activities: 8.4% of all Mekorot employees, with an average of approximately 7.4 hours per participant.



Occupational Health and Safety

3-3

Mekorot is committed to safeguarding the occupational health and safety of its employees, suppliers, customers, and the broader community, in accordance with a strict safety policy. The company's Occupational Health and Safety Policy, which includes measures to promote both the physical and mental well-being of employees, forms an integral part of its overall corporate strategy. The management of occupational health and safety is carried out within a dedicated organizational structure that includes professionals responsible for supporting, advising, and assisting managers on safety, hygiene, and workplace health matters across all company units.

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Promoting Occupational Safety and Health

Mekorot maintains Safety and Hygiene Committees comprising equal representation from management and employees. These committees operate geographically according to operational regions, alongside a central committee that consolidates issues at the national level.

Mekorot conducts both internal and external safety audits to maintain certification for the following standards: ISO 45001 for Occupational Health and Safety, ISO 14001 for Environmental Protection, and ISO 9001 for Quality Management. Based on audit findings, Mekorot implements corrective actions and updates work procedures as needed.

The company's safety philosophy and policies have been communicated across the entire organization and are transparently accessible to the public via Mekorot's website²⁵.

Mekorot's safety strategy is built on four core components:



Continued Improvement



Proactivity



Accountability



Professionalism

To ensure all employees are aware of updates to the safety policy, Mekorot provides safety policy training to every new employee, and when necessary, updates are posted on noticeboards across operational areas. Additionally, field employees undergo an annual basic safety training of eight hours, along with specialized training tailored to their specific roles.

To protect employee health and minimize potential risks during work processes, Mekorot conducts ongoing monitoring and medical examinations for employees in higher-risk roles. The company also ensures provision of personal protective equipment that meets stringent safety standards.

As part of its efforts to improve safety culture, Mekorot tracks measurable targets related to workplace accidents and hazardous incidents. Furthermore, every five years, a comprehensive occupational health and safety risk management process is conducted, covering a wide range of areas, including exposure to hazardous substances, noise exposure, working at heights, and electrical hazards.

To raise safety awareness, Mekorot implements various initiatives, such as establishing a network of safety representatives, enforcement audits, training for employees and contractors, investigation and publication of safety incident findings, monthly safety reports, and management oversight inspections. Additionally, Mekorot promotes safety enforcement programs, encourages managerial involvement in safety, and grants awards to outstanding employees in the field of safety.

²⁵ For detailed information and further insights, please refer to [Mekorot's Safety Policy](#) (HEB).

Traffic Safety

Given the wide geographic distribution of Mekorot’s sites across the country and the need for frequent travel between facilities and infrastructures, traffic safety is a matter of utmost importance. To ensure employee safety, the company implements a range of measures including the periodic dissemination of road safety guidelines to all employees as needed, ongoing maintenance and servicing of vehicles at authorized service centers using original spare parts in accordance with manufacturer specifications, and specialized training for all company drivers, trailer operators, and forklift drivers.

In addition, Mekorot initiates safety inspections of vehicles, engineering equipment, and trailers conducted by safety officers in the operational regions and performs sample audits overseen by the national traffic coordinator. The company holds committees to investigate serious traffic accidents and draw lessons learned. Furthermore, Mekorot organizes safety training sessions for the families of employees who drive company or leased vehicles to ensure the safety and well-being of all vehicle users associated with the company.

Breakdown of Accident Data²⁶

	2022	2023	2024
Workplace Accidents ²⁷	26	28	15
Near-miss Incidents ²⁸	40	73	39
Hazardous Incidents ²⁹	45	44	50
Work Accident Frequency ³⁰	1.05	1.13	0.68
Days of absence due to workplace accidents	359	337	166
Total days of absence from all accidents	790	745	768

Employee Health and Well-being

Mekorot places great importance on promoting a healthy lifestyle among its employees and adopts a holistic approach to employee health, encompassing both mental and physical well-being. Accordingly, employees are entitled to health screening examinations every two years as part of Mekorot’s health policy. The company also provides psychological and social services to employees through a contractual agreement with an external provider. These services include a 24/7 telephone counseling hotline and subsidized individual sessions. Additionally, the Human Resources unit regularly disseminates relevant communications to all employees to raise awareness of the available services. The company also organizes social events that contribute to strengthening the physical, mental, and social resilience of its workforce.

As part of promoting an active and healthy lifestyle, Mekorot also encourages extensive sports activities through its workplace league. In 2024, sports teams competed in various disciplines, including soccer, basketball, futsal, dodgeball, running, bowling, and mountain biking, with 13% of the company’s employees actively participating in league activities. The annual league event, the Sportsiada in Eilat, was postponed in 2024 due to the security situation.

Additionally, employees at the company’s headquarters have access to a fully equipped gym, and various company sites feature facilities to encourage movement throughout the day- for example, treadmills are available for employees in the operation division’s control rooms.



²⁶ All data presented are the latest updates from Mekorot’s safety management system as of March 23, 2025. It should be noted that these data may be subject to future revisions for various reasons, including recognition or non-recognition of accidents as occupational injuries by the National Insurance Institute, among others.

²⁷ Incident where an employee was injured, sought medical treatment at a clinic, and was granted at least one sick day due to the injury.

²⁸ Incident where an employee was injured, sought medical treatment at a clinic, but was not granted any sick days.

²⁹ Incident where an employee was injured but did not seek medical treatment at a clinic.

³⁰ Work accident frequency rate normalized to 100,000 employees.

Customer Service

3-3

Mekorot strives to adapt to changing market conditions and meet customer expectations for professional, prompt, efficient, and high-quality service. During 2024, the company continued to emphasize managing customer relationships and deepening dialogue with its clients, initiating the implementation of a computerized customer management system. As part of the project, Mekorot conducted comprehensive mapping and in-depth studies using focus groups, satisfaction survey analyses, meetings with internal stakeholders, and more.



Customer Relationship Management System

Mekorot operates to provide a comprehensive response that integrates human, technological, and professional aspects, aiming to enhance customer service experience. To achieve this, a customer relationship management system is being established, including a dedicated customer portal and an intelligent call routing system. The company's objective is to provide a single, synchronized, and accessible point of contact, offering multiple communication channels tailored to customer preferences, while ensuring availability beyond official business hours.

Additionally, the system enables continuity and seamless communication with customers through the sending of updates and reminders and provides advanced capabilities for tracking and monitoring inquiries and the service provided. The system's implementation aligns with the customer-centric management policy, which was approved by the company's management in 2023.



GOVERNANCE



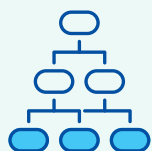
Governance

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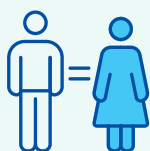
Proper corporate governance is a fundamental principle in Mekorot's organizational culture and a prerequisite for all areas of its operations. It serves not only as a risk management tool but also as a key means for achieving the company's strategic objectives and improving organizational efficiency.

As a government-owned company operating under the oversight of the Ministry of Energy and Infrastructure, the Ministry of Finance, the Water and Sewage Authority, and the Government Companies Authority, Mekorot is committed to complying with all applicable laws and regulations governing government companies in Israel, while upholding transparency, accountability, and integrity in all its operations.

Mekorot's Board of Directors³¹



10 board members



4 women on the board



5 board committees



49 board meetings held during 2024

Board Structure

At Mekorot, there is a clear separation between the roles and identities of the Chairperson of the Board and the CEO, as well as between the Board's responsibilities and those of the company's executive officers. Being a government-owned company, the appointment process of Board members is managed by the relevant government ministers, with Mekorot not involved in the selection process.

Additionally, the Government Companies Authority has established an equitable director selection committee open to the public, provided candidates meet predetermined eligibility criteria. Mekorot has a defined management core to ensure appointed directors adequately address the company's needs in terms of required skills, experience, and diversity across workforce demographics.

Board Committees

■ **Audit Committee**- regularly reviews the company's audit reports. Its responsibilities include approving the annual audit plan, approving related-party transactions, overseeing contracts between the company and directors regarding their terms of office (including granting waivers, insurance, indemnity commitments, or indemnification permits), and contracts related to directors' employment in other roles. The committee also decides on the process for assessing the quality of internal audit (external review) and approves the termination of the internal auditor's tenure.

Audit scope in 2024: 13,650 hours, of which 79% were dedicated to internal audit and 21% to external audit.

- **Finance and Risk Management Committee³²**- regularly discusses various financial matters including the company's budget, debt write-offs, credit policy, fundraising, and continuously monitors these areas. The committee also serves as a dedicated body for overseeing the company's risk management activities.
- **Planning, Development, Operations, and Technology Committee**- conducts ongoing monitoring of the company's development plan, project execution status, and company assets. Additionally, the committee addresses planning, operational, and technological matters, including investment in technological ventures and startups, and oversees the advancement and implementation of technological systems and developments within the company.
- **Balance Committee (Financial Statement Review Committee)**- serves as a subcommittee of the Board of Directors, reviewing the financial statements and formulating recommendations to the Board regarding their approval.
- **Compensation Committee**- discusses salaries, social benefits, perks, and bonuses for senior executives in the company, in accordance with the compensation policy approved by the Board. The committee's recommendations and conclusions are submitted for the Board's approval.

³¹ As of December 31, 2024.

³² The committee advises the Board of Directors with the aim of streamlining board discussions and conducting in-depth deliberations on assessing the required skills and experience for hiring, as well as on workforce diversity. Its conclusions or recommendations are submitted for approval by the Board.

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2-11

Board Composition and Appointment Process³³

At the top of the company's organizational structure stands the Board of Directors and its Chairperson, who are responsible for setting policy, determining the company's strategic guidelines, issuing directives accordingly, as well as overseeing and implementing the policy. The company's operations are led by the CEO. As Mekorot is a government-owned company, the appointing ministers (Minister of Finance and Minister of Energy and Infrastructure) select candidates who meet the requirements of the Companies Law, which defines eligibility criteria and mandates inclusion in the director pool maintained by the Government Companies Authority. Additionally, candidates must align with the company's managerial core profile established by the Authority, which requires representation of directors with financial expertise and others with infrastructure management backgrounds. Directors undergo a vetting committee process that reviews their experience, education, and political affiliations.

The onboarding process for new directors at Mekorot is formalized by the Government Companies Authority circular and aims to enable newly appointed directors to familiarize themselves quickly with company operations. In accordance with this circular, Mekorot ensures that both Board members and senior management receive, upon appointment, the necessary information and tools regarding all company activities through a series of meetings with relevant company stakeholders and the provision of a Director's Portfolio containing all basic data required for a professional and efficient transition into the role. Furthermore, the Board appoints committee members based on their skills and the competencies required for each committee.

As of the end of 2024, Mekorot's Board of Directors comprises ten members, including four women. Additionally, four Board members possess accounting and financial expertise:

Full Name	Position	Committees
Andre Uzan	Director	Audit Committee, Finance and Risk Management Committee, Planning, Development, Operations and Technology Committee
Eti Manasherov Aluf	Director	Planning, Development, Operations, and Technology Committee
Dmitry Brook	Director	Planning, Development, Operations, and Technology Committee
Chaim Perluk	Director	Audit Committee, Finance and Risk Management Committee, and Planning, Development, Operations, and Technology Committee
Yoram Motai	Independent Director	Balance Committee, Compensation Committee, Finance and Risk Management Committee, Planning, Development, and Operations and Technology Committee
Yaron Klein	Director	Audit Committee, Planning, Development, and Operations and Technology Committee, Finance and Risk Management Committee
Naomi Anoch	External and Independent Director	Compensation Committee, Audit Committee, Balance Committee, Finance and Risk Management Committee, Planning, Development, and Operations and Technology Committee
Ronit Lerner	Independent Director	Compensation Committee, Audit Committee, Balance Committee, Planning, Development, and Operations and Technology Committee
Shoshana Noah Zaig	External and Independent Director	Audit Committee, Balance Committee, Compensation Committee, Finance and Risk Management Committee
Saeed Samour	Director	Audit Committee, Compensation Committee, Planning, Development, and Operations and Technology Committee



³³ Board Composition as of December 31, 2024. As of this date, a permanent Chairman of the Board has not yet been appointed.

2-18	Compensation Policy
2-19	As a government-owned company, Mekorot operates in accordance with applicable regulations regarding the compensation and employment terms of CEOs and senior executives. The company's compensation policy was established in line with the provisions of the Companies Law, the Government Companies Law, and relevant regulations, with the goal of ensuring that executive compensation aligns with the company's performance and strategic objectives. The policy is designed to reward executives based on corporate goals, while emphasizing employee retention, promoting excellence, and addressing organizational challenges.
2-20	During 2020, an updated compensation policy regarding the terms of office and employment of company officers was formulated. As of the date of this report's publication, the general meeting's approval of the policy has not yet been received.
	As a general rule, according to circulars issued by the Government Companies Authority, the employment agreement for senior executives in government-owned companies is based on a standardized contract template for executives. Regarding senior executive salaries, the Ministerial Committee on Salaries determined that their employment conditions be contractual and coordinated with the Government Companies Authority. This policy includes provisions for claw-back of remuneration received under certain conditions. However, some senior executives at Mekorot are employed under collective agreements. The compensation policy applies to office holders employed under individual employment agreements, except for specific provisions that apply to those employed under collective agreements, except for clauses that explicitly state applicability to certain office holders as detailed therein.
	As part of the compensation policy, there is a remuneration model anchored in the Government Companies Authority circular regarding principles for senior executive compensation and incentives in government companies, effective since 2015. The remuneration model, approved annually by the Board of Directors, is based on rewarding employees according to company performance and individual achievements. Retirement and severance arrangements are regulated in accordance with the law.

2-21	Ratio of highest annual remuneration to median employee compensation³⁴
	In 2023, the compensation ratio between Mekorot's highest-paid executive, the COO and Deputy CEO, and the median employee compensation (excluding the COO and Deputy CEO) was 2.88. Compensation for board members is provided in accordance with the Government Companies Regulations (Compensation and Expenses for a Public Director in Government Companies), 1994.

	ESG aspects within the Management and the Board	2-12
	The ESG domain falls under the managerial responsibility of the Customer Relations and Corporate Responsibility Unit (ESG). The unit manager reports periodically to senior management and operates under the Deputy CEO for Development and Customers. The Board of Directors addresses environmental and social matters as part of its routine oversight and the company's annual objectives. Exceptional events, including environmental incidents, safety events, and other significant impacts, are reported immediately to the Board. Additionally, the Board, through its committees, engages in processes related to the company's ESG aspects, including periodic refreshment of the Code of Ethics, energy efficiency initiatives, climate change preparedness, particularly emergency water supply planning and more.	2-13 2-14 2-17

	Mechanisms for Communicating with the Board of Directors	2-26
	A mechanism for receiving employee feedback and recommendations to the Board of Directors is determined by regulatory directives issued by the Government Companies Authority. The sole shareholder of Mekorot is the State of Israel, and its control is exercised through the appointment of board members by the responsible ministers. Employees may contact the Board either through the Company Secretary or directly with the Chairperson. Mekorot's management, which has largely grown from within the organization, encourages direct communication and active employee engagement.	

	Communicating Critical Concerns to the Board of Directors and the Public	2-16
	To address critical concerns related to the potential and negative impacts of the company's activities on stakeholders, Mekorot operates on multiple levels to ensure effective communication. As part of this effort, a dedicated Risk Management Committee within the Board of Directors (the Finance and Risk Management Committee) convenes quarterly to present significant and critical risks facing the company to Board members. Material events are reported to the public transparently and promptly through the Tel Aviv Stock Exchange's MAGNA system. During the reporting period, Mekorot disclosed several material events via this platform to maintain full transparency with stakeholders.	
	Additionally, the company emphasizes the importance of immediate reporting in cases where there is concern about breaches of corporate governance, such as suspected fraud, theft, or non-compliance with laws and regulations. In any case of doubt regarding the completeness or accuracy of information communicated within the company, employees are required to report to their supervisors and responsible authorities.	

³⁴ Data is based on gross salary for tax purposes and does not include retirement grants. Additionally, the data is net of payments for reserve duty.

Business Strategy and Operational Resilience

Since 2011, Mekorot’s economic model has been based on regulatory rules established by the Governmental Authority for Water and Sewage. The status of these regulatory rules differs from the previous contractual framework between the parties, as they constitute secondary legislation. It should be noted that since 2008, the state budget has ceased to serve as a financial source to cover the difference between the company’s recognized costs and its recognized revenues. It was determined that any positive or negative difference would be reflected in updates to water tariffs, ensuring that the company’s full recognized costs are covered by revenues from water sales to consumers (*closed water economy*).

Accordingly, Mekorot is no longer supported by the state budget and finances its activities independently through its own resources and by raising external capital through bond issuance. Until 2019, bond issuances were conducted in the institutional market. In 2019, the company held its first public capital raising round and issued bonds traded on the Tel Aviv Stock Exchange in accordance with a prospectus.

Due to its status as a publicly reporting company, Mekorot and its employees are required to comply with securities laws. Accordingly, the company maintains an enforcement program in the securities field aimed at ensuring compliance with legal requirements, detecting and preventing potential violations, and promoting proper compliance at all levels of the company.

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Financial Performance

(Millions NIS)	2022	2023	2024
Revenue	4,980	5,245	5,359
Cost of Sales and Operations	4,303	4,910	4,828
Additional Expenses*	148	175	124
Net Financing Expenses	524	389	495
Taxes on income	2	(44)	10
Total Economic Value Distributed	4,977	5,430	5,457

*Includes Management and general expenses, early retirement plan, the company’s share in losses of joint ventures, and net other income/expenses.
For further information on the financial performance of Mekorot Water Company Ltd., please refer to the [2024 annual report](#).

Mekorot continuously strives to maintain and strengthen its financial resilience. The company demonstrates financial stability with an annual revenue turnover of approximately NIS 5.3 billion, equity capital of about NIS 6.5 billion, and total assets amounting to around NIS 24 billion. Mekorot’s responsible financial management and maintenance of sound financial relationships have earned it the highest credit rating of iLAAA from Ma’alot Credit Rating Agency since 2003. This strong rating enables the company to significantly expand its development efforts in the coming years to reinforce the water sector against prolonged drought periods.

In October 2024, the Water Authority published a public consultation report on behalf of the Advisory Committee for the Economic Regulation of the company. Mekorot submitted its response to the consultation report and continues to engage in ongoing dialogue with relevant stakeholders on the matter.



Business Continuity

During 2024, amid the complex situation of the "Swords of Iron" conflict, Mekorot continued to operate relentlessly to maintain functional continuity and business resilience. The company is prepared to respond to emergencies, with a focus on addressing the security challenges arising from the conflict as well as other potential threats, to ensure a safe and uninterrupted water supply to all residents of Israel.

Company management conducts periodic situation assessments based on the security environment and operates according to four key objectives: maintaining operational continuity and business resilience, ensuring the health and safety of employees, preserving organizational resilience through job security and individual care, and continuing the implementation of the development plan. Mekorot adopts a forward-looking approach to anticipate changes and opportunities stemming from the security situation in areas such as water sector development, supply of water and treated wastewater, security and emergency preparedness, renewable energy, and engagement with external stakeholders.

Quality Management at Mekorot

The quality management approach at Mekorot focuses on understanding and refining organizational processes based on the required inputs and needs. The Quality Management Unit within Mekorot's Engineering Division is responsible for planning, developing, and implementing advanced methods to ensure and control quality, while continuously improving cross-organizational processes.

During 2024, Mekorot developed and implemented key performance indicators (KPIs) to monitor and enhance quality performance, aiming to assess process effectiveness, improve organizational responsiveness in identifying and correcting deviations, and support continuous improvement. Additionally, a project management system was introduced to enable ongoing monitoring of project status, analysis of non-conformities, oversight of remediation timelines, and control of contractor penalties. This system operates in coordination with the Supervision Unit to improve execution quality in the field and streamline organizational workflows.

During 2024, the company continued to build on its achievements in the field of quality, based on a program that includes objectives designed to guide the company's activities in the coming years:

Area	Objectives	Achievements in 2024
Mekorot's Quality Policy	<ul style="list-style-type: none"> ■ Formulation and implementation of quality policies, procedures, and specifications 	<ul style="list-style-type: none"> ■ Strengthening the implementation of company policies and procedures established to ensure and control quality for improving execution processes ■ Managing and developing metrics for quality requirements across various fields
Quality in Organizational Culture	<ul style="list-style-type: none"> ■ Embedding the concept of quality throughout Mekorot ■ Identifying and managing quality gaps ■ Strengthening interfaces between the Quality Management Unit and all company divisions 	<ul style="list-style-type: none"> ■ Leading a cross-organizational professional forum for quality leaders ■ Conducting quality audits of Mekorot's goods suppliers ■ Supporting and expanding the quality framework in Design & Build construction projects
Innovation and Technology in Quality Management	<ul style="list-style-type: none"> ■ Promoting innovation and technological tools for optimal quality management 	<ul style="list-style-type: none"> ■ Advancing the implementation of a computerized Quality Management System (QMS) to establish a centralized platform for managing and analyzing collected data
ISO Standards Implementation	<ul style="list-style-type: none"> ■ Implementing all relevant ISO standards at Mekorot, led by the Quality Management Unit 	<ul style="list-style-type: none"> ■ Achieved Platinum certification from the Israeli Standards Institute for six management standards ■ Certified to the Functional Resilience Standard ISO 24001 and the Energy Management Standard ISO 50001

ISO Certification at Mekorot

The Management Committee for Quality Standards, overseen by the Quality Management Unit under the leadership of the Vice President of Engineering, continued this year to review, audit, and validate the company's ISO standards procedures in accordance with the organizational strategy. During 2024, Mekorot received the Platinum Certification from the Israeli Standards Institute in recognition of its compliance with and management of the following management standards:

ISO Number	Area	Certification Status
9001	Quality Management	Certified company-wide in 2023.
14001	Environmental Management	Certified company-wide in 2023.
17025:2017	Laboratory Accreditation	Certified across all laboratories since 2006.
24001	Operational Resilience Management	Certification to be obtained company-wide in 2024.
27001	Information Security Management	Certified in the Information Systems Unit since 2021.
45001	Occupational Health and Safety Management	Certified company-wide in 2023.
50001	Energy Management	Certification to be obtained company-wide in 2024.

In 2024, Mekorot successfully completed all required certifications, audits, and preparations, addressing any non-conformities as needed. As a result, the company was certified to the Functional Resilience Standard ISO 24001 and the Energy Management Standard ISO 50001, while simultaneously maintaining ongoing compliance with its other existing certifications.

Additionally, the Quality team continued to oversee five development projects executed under the Design & Build (DB) model, incorporating advanced methodologies for quality assurance and control. In such projects, where Mekorot mandates the use of defined quality methodologies, contractors are required to engage external quality control firms. In other cases, Mekorot conducts quality control internally to ensure compliance with applicable standards and specifications.

Mekorot plans to expand the scope of projects by implementing advanced quality methodologies, as their integration enables continuous, technological, and transparent quality management throughout all execution phases. This approach aims to ensure that both processes and outcomes meet all defined requirements, standards, and specifications.

Implementation of a Dedicated Quality Management System at Mekorot

During 2024, the Quality Management Unit conducted a comprehensive requirements analysis and developed a detailed specifications document for the implementation of a quality management system. This system will enable effective management of non-conformities, including reporting, documentation, tracking of corrective actions, and trend analysis. It will integrate artificial intelligence capabilities to detect process anomalies and generate data-driven insights to support informed decision-making. The system will also encompass calibration process management, monitoring of penalties, report generation, quality cost management, and periodic benchmarking, ensuring full transparency and appropriate access controls.

Led by the Technology Division, the company is launching a tender to select a system that will streamline quality management and improve organizational workflows. Subsequently, a tailored implementation will be carried out to meet organizational needs, with the goal of making the system a central tool for quality management across the company.



Mekorot Contributes to Geopolitical Relations and Israel's International Development

Israel's geographical location, combined with climatic challenges and geopolitical complexity, requires Mekorot to continuously develop diverse and innovative solutions. Accordingly, the company focuses on two main areas: providing a steady, reliable, and secure water supply, and advancing groundbreaking knowledge and technology.

Mekorot supports the realization of the Israeli government's water-related objectives in the region, works to establish and maintain long-term international partnerships with partner countries, and strives to leverage these connections to strengthen Israel's global standing in the water sector.

Regional and International Collaborations³⁵

- **Kingdom of Jordan:** Under the peace agreement between the State of Israel and the Kingdom of Jordan, the parties agreed on a water allocation arrangement. According to this agreement, Mekorot supplied approximately 110.2 million cubic meters (MCM) of water to Jordan in 2024, compared to approximately 105.6 MCM in 2023.
- **Palestinian Authority and Gaza Strip:** Mekorot supplies water to the Palestinian Authority under a water cost-sharing agreement and to the Gaza Strip according to the 2017 agreement with the Palestinian Authority. In 2024, the volume of water supplied to the Palestinian Authority and Gaza totaled approximately 98.4 MCM, compared to about 98.6 MCM in 2023.
- **India, Maharashtra State:** Mekorot promotes cooperation with the Maharashtra government in India, implementing a master plan for water management based on Israeli knowledge and technology. The plan includes water loss reduction, wastewater management, energy efficiency, and control systems. Approval for project completion was received in 2024, with finalization expected in 2025.
- **Bahrain:** As part of the Abraham Accords, Mekorot signed an agreement with the Kingdom of Bahrain to provide advanced consulting services in water resource management.
- **Azerbaijan:** Mekorot serves as a technical advisor to the Azerbaijani Water Authority, assisting in the construction of water facilities and developing master plans for agricultural water management. Planning is conducted with a long-term perspective, spanning up to 25 years.
- Mekorot provides professional water consulting services and advances projects in various countries worldwide. This activity includes operations in **Uruguay, Paraguay, the Dominican Republic, Argentina, Morocco, Kazakhstan, and Azerbaijan**. The company continues to expand its international collaboration network through ongoing contacts and agreements with additional countries.



³⁵ The water supply data for 2023 for the Kingdom of Jordan, the Palestinian Authority, and the Gaza Strip has been updated.

Risk Management

Risk management is an integral part of decision-making processes at Mekorot, aimed at enabling the early identification of risks that may impact the company's operations, along with systematic and controlled preparedness to address them. Mekorot implements, among other things, the Government Companies Authority's circular on risk management in government-owned companies.

Mekorot is working to implement an integrated and comprehensive risk management mechanism, based on the understanding that risk management is a managerial tool that supports decision-making processes and the prioritization of resources. The objective of this mechanism is to embed risk management as an inseparable part of the company's strategy and business activities.

The organizational structure of Mekorot's risk management framework is headed by the Board of Directors and its Risk Management Committee. Below this level operates the Executive Risk Management Committee, followed by the Head of the Corporate Risk Management Unit, who is also a member of the executive team. This unit includes the following departments: Operational Risk Management, Financial Control and SOX, Project Risk Management, and Corporate Risk Management. This structure allows proximity to day-to-day operations in the field, enabling continuous monitoring and fast, accurate decision-making.

Senior management activities in strategic, operational, financial, environmental, and social aspects are reviewed annually as part of the company's risk identification and management process. Mekorot is working to institutionalize a corporate risk management framework by convening the Executive Risk Management Committee on a regular basis to review the company's comprehensive risk portfolio. This process is led by the Chief Risk Officer and chaired by the CEO and the Board of Directors.

The risk management function works to instill norms of conduct and compliance, thereby reducing the company's exposure, and that of its managers and employees, to potential risks. In addition, quarterly discussions on risk management are held by the Finance Committee, which also serves as the Board's Risk Management Committee.

In 2024, Mekorot implemented an environmental enforcement program and identified corporate risks related to environmental protection and water discharges into the environment, managed within the framework of environmental risk management. This process involves identifying and assessing material risks to the company's operations, aimed at supporting decision-making, reducing risks, improving performance, and leveraging opportunities to create shared value for the company and its stakeholders.

In 2025, Mekorot plans to conduct a new corporate risk survey covering the period 2025–2028, during which relevant risks related to the environment and climate change will be identified and assessed.



418-1 **Information Security**

As an infrastructure company, Mekorot operates information, command, and control systems nationwide at its facilities and control centers. It also utilizes management information systems that support the company's daily operations and strategic objectives. These systems represent critical points of vulnerability to information security threats from hostile actors and could potentially disrupt the company's ongoing operations. To protect its systems against the increasing threats of recent years, Mekorot continuously implements cybersecurity measures and works to enhance and strengthen its information security framework.

Mekorot operates in accordance with an information security policy and invests significant resources in backup mechanisms, elevating the security level of critical networks, and implementing electronic and physical site protections. The company maintains alternative systems (Disaster Recovery Plan- DRP) and communication system backups to ensure operational continuity even during outages. In the reporting year, no significant cyber or information security incidents occurred.

In 2024, Mekorot initiated a comprehensive series of measures to safeguard against information security threats and strengthen its cyber resilience. As part of these efforts, the company enhanced employee awareness of cyber risks through e-learning modules, professional training sessions, lectures, management drills, monthly phishing simulations, dedicated newsletters, and automated alerts on information security. Concurrently, Mekorot manages and updates its information security procedures via the company portal, along with internal protocols overseen by management members.

In 2024, all company employees completed cyber security e-learning courses, alongside strict enforcement of password and access control policies. Additionally, the company replaced outdated information systems with advanced platforms, in line with organizational needs and directives from the National Cyber Directorate.

Alongside these measures, Mekorot has invested in the development and enhancement of its technological defense capabilities by installing advanced systems to improve detection, identification, and prevention of cyberattacks. The company has further expanded its capabilities by establishing a national cyber operations center responsible for monitoring, controlling, and managing incidents across its networks. Additionally, Mekorot operates a 24/7 operations center to ensure continuous operational continuity and maintain a high level of security.

Building upon these robust defense measures, and pending regulatory approval, Mekorot intends to deepen its cybersecurity investments by implementing a comprehensive information security program with an annual budget allocation of 10 million ILS over a five-year period. In 2024, the company successfully passed certification audits for the ISO 27001 Information Security and Cybersecurity standard. Moreover, a comprehensive management exercise addressing cyber incident response was conducted successfully in January. Mekorot continues its cross-organizational implementation of cyber risk management regulations within its supply chain, a process that will continue throughout 2025. As part of this, an update to the Cybersecurity Compliance and Privacy Risk Survey will be conducted in 2025, serving as an integral part of the company's enterprise risk management process.



Technological Innovation and Leadership

Over the course of decades of activity, Mekorot has accumulated knowledge, experience, and capabilities in the water sector that positioned it at the forefront of the global water industry. Today, the company is engaged in the development of advanced water technologies across four main areas: investments in startup companies, business collaborations, applied research, and the development of patents and internal innovation- all in accordance with government decisions.

Innovation is a central pillar in all aspects of Mekorot's operations, grounded in the understanding that managing an advanced water system requires the adoption of cutting-edge technologies such as predictive supply, smart control rooms, big data analytics, and cybersecurity. The company's innovation efforts primarily aim to address the expanding needs of the water sector alongside natural population growth. These trends are expected to lead to water scarcity, and Mekorot continuously strives to develop solutions that ensure future demand is met, through the creation of new water sources and the preservation of water quality and health via advanced technologies.

Mekorot's Innovation Unit fosters entrepreneurship and creative thinking among all employees, operating under the management of the WaTech³⁶ Unit Director, who reports to the Vice President of the Engineering Division. When necessary, specific innovative topics are escalated to the company's Board of Directors for strategic decision-making.

Investment in startup companies

Since 2019, Mekorot has been investing in startups operating within the company's core areas. In 2024, the company made a record investment of 3 million NIS in various startups. Beyond financial investment, Mekorot provides relevant entrepreneurs with comprehensive support, enabling them to conduct pilot projects at company sites, leverage company resources, and ultimately integrate their products into Mekorot's various operations³⁷.

As part of the investment technology assessment process, a committee was established comprising the CEO and the Vice President of Engineering. This committee is responsible for defining the investment strategy and making recommendations to the Board of Directors regarding engagements with potential companies.

In 2024, Mekorot invested in the following projects:

- **Aquatis-** A predictive maintenance service using an advanced method based on vibration analysis to forecast failure mechanisms in machinery. The service collects vibration data from sensors attached to motors, which is then analyzed by an algorithm that provides recommendations for proper equipment maintenance on an asset management platform.
- **Argu-** A safety and security management technology for organizations, based on artificial intelligence and smart video recognition. This technology enables real-time detection of anomalous events and rapid response through various query options.
- **Bimmatch-** A platform based on a Building Information Modeling (BIM) model and artificial intelligence, enabling the standardization of instructions and regulations through an organizational engineering-application library. The platform facilitates rapid implementation of organizational instructions and standards, change management and control, and integration with the planners' work environment. Additionally, it integrates with Mekorot's planning control system to enhance engineering content management and oversight.

Research and Development at Mekorot

- **Center for Entrepreneurship and Collaboration-** As part of its multi-year program, Mekorot initiates research and development (R&D) activities aimed at advancing knowledge and identifying new water technologies. Annually, approximately 40 applied research projects are conducted by the company's professional research teams in collaboration with leading academic institutions in Israel and worldwide, as well as with international research funds and industry-leading companies. These studies often involve undergraduate students, who are offered scholarships to support their participation in research for a six-month period. Mekorot recognizes the importance and mutual synergy of involving students in its research efforts. In 2024, five students from colleges located in peripheral regions participated in company research projects.
- **Participation in International Research Programs-** Mekorot is an active partner in European Union research programs such as Horizon2020 and PRIMA, as well as in a research program supported by the Energy Center, funded by the Israeli and U.S. Ministries of Energy. Mekorot participated in three research consortia comprising startups and water companies from multiple countries across Europe and the U.S., including ULTIMATE, FIT4REUSE, and COWERC. Over the coming years, Mekorot is expected to conduct several pilot projects within these initiatives to test and demonstrate advanced technologies aimed at reducing energy consumption in wastewater treatment. Technologies to be evaluated include anaerobic membrane systems, biogas production and upgrading, innovative processes for concentrate reduction, and desalination of brines.

³⁶ WaTech By Mekorot

³⁷ In accordance with Government Decision no. 3837.

Internal Innovation- Encouraging Employee Initiatives

Mekorot operates an Innovation Management team composed of representatives from all divisions, encouraging employees across the company to propose ideas for development within various operational areas. As part of the effort to foster internal innovation, the company utilizes a digital knowledge-sharing platform that facilitates the collection, filtering, and evaluation of ideas, advancing them towards implementation. Additionally, the system monitors key performance indicators (KPIs) and provides ongoing reporting on project progress status.

During 2024:

- **53 new ideas** were submitted by employees.
- **16 ideas** advanced to development stages.
- **5 ideas** were approved and became actual projects.
- **7 projects** were successfully implemented in company operations.



Integrity, Ethics, and the Prevention of Corruption

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205-2

Integrity, ethics, and the prevention of corruption are core values at Mekorot, deeply embedded across all levels of the organization, from the board of directors to the employees. As a government-owned corporation with extensive business operations, Mekorot is committed to these principles while maintaining proper governance and legal compliance.

In 2023, the company conducted a risk assessment focused on fraud and misconduct to identify and evaluate key risk factors. Based on the findings, a dedicated compliance program was developed to prevent fraud, bribery, and corruption. This program, approved by the Board of Directors, includes a comprehensive set of procedures, guidelines, and standardized work processes, which have been disseminated to all Mekorot employees. Its purpose is to ensure active implementation of prevention mechanisms and to reinforce adherence to legal requirements across the company. The program underscores Mekorot's zero-tolerance policy for violations in these areas and outlines mechanisms for embedding these guidelines and overseeing their enforcement. Additionally, the Risk Management Unit performs financial controls over various processes, including segregation of duties in access rights to critical systems.

In cases of suspected fraud, bribery, or corruption, employees have multiple reporting channels under the enforcement program: an anonymous hotline via email, direct reporting to their manager, the internal auditor, or the compliance officer responsible for the program.

- In 2024, no reports were submitted to the Ethics Committee.
- o In 2024, no incidents of fraud, bribery, or corruption involving Mekorot employees were detected.

2-15

Prevention of Conflicts of Interest

The company's CEO and Chair of the Board are appointed in accordance with the law and the guidelines of the Public Committee for the Examination of Appointments, whose role includes reviewing and preventing conflicts of interest. All officers in the company are required to sign a declaration of avoidance of conflicts of interest. Mekorot is committed to maintaining high standards of integrity and ethical conduct. Employees are required, through the company's Code of Ethics, to avoid situations that could create actual or perceived conflicts of interest. It is strictly prohibited for employees to engage subordinates, suppliers, or any entity connected to Mekorot in private work outside their professional roles within the company.

Implementation and Communication of the Code of Ethics³⁸ 2-23

As the national company responsible for ensuring the water supply in Israel, Mekorot is committed to acting with integrity and ethics in its business conduct, based on a Code of Ethics that defines the system of values, standards, and guiding principles that direct the company's every action.

The Code outlines Mekorot's vision, mission, and expected behavioral patterns for all employees, aiming to guide employees and managers alike towards proper ethical conduct in their relationships with all stakeholders. The guiding values of Mekorot's Code of Ethics include: national mission, supply of high-quality and reliable water, professionalism, trustworthiness and transparency, learning and innovation, cooperation and mutual respect, and sustainable development

To embed and communicate the Code effectively, the company produced an instructional video and an online learning module as part of the employee training program on the Code of Ethics, targeting both employees and relevant stakeholders.

Following the Code's adoption, Mekorot implemented a comprehensive rollout plan, which included launch meetings, appointment of a Corporate Ethics Officer, and the establishment of an Ethics Committee. Employees may contact the Ethics Officer, who chairs the Ethics Committee and the Ethics Trustees, which include HR managers from the operational regions and the Head of HR at company headquarters. The Ethics Committee works to promote and nurture ethical conduct among managers and employees by initiating and encouraging ethical dialogue within the organization. The committee reviews ethical dilemmas, primarily raised by employees, and provides solutions aligned with the Code of Ethics, with the objective of embedding and fostering ethical values throughout the company.

Mekorot's Code of Ethics is publicly available on the company's website and accessible to employees through the internal portal. Employees receive regular communications on the Code, including guidance on how to approach the Ethics Committee. Additionally, all new employees are required to read the Code of Ethics and sign a commitment to abide by its provisions. As part of the onboarding process, new hires receive comprehensive ethics training. Ethical issues discussed by the Ethics Committee are regularly communicated to employees through newsletters.

- In 2024, the Code of Ethics was formally ratified and approved by the company's management.
- As of the end of 2024, 91% of the company's employees successfully completed the training program on the Code of Ethics.

³⁸ For additional information, see [Mekorot's Code of Ethics](#) (HEB).

2-26 Reporting and Handling Mechanisms for Ethical Issues

The Company Secretary serves as the Ethics Officer and chairs the Ethics Committee. Employees can submit inquiries or reports either openly or anonymously via a dedicated email address³⁹, the details of which are published on the company website, in the Code of Ethics, and on the corporate portal. Additionally, physical mailboxes are available at the company's sites and headquarters for submitting correspondence. All inquiries are handled according to established procedures tailored to the nature of the submission. In cases where no specific procedure exists, the matter is reviewed in collaboration with the company's Internal Auditor.

2-23 Mekorot's Policy on Human Rights Protection⁴⁰

Mekorot is committed to responsible management and the protection of human rights, upholding freedom, dignity, freedom of movement, property, security, and equality. The company ensures fair employment practices, a respectful and inclusive work environment, safe working conditions, lawful compensation, and the health, safety, and well-being of its employees. Mekorot's policy enforces zero tolerance for harassment and abuse and prohibits discrimination of any kind. Additionally, Mekorot works to safeguard the rights of its suppliers and contractors by monitoring their employment conditions in compliance with legal requirements and the company's Code of Ethics.

2-6 Responsible Supply Chain

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As a government-owned company, Mekorot conducts its procurement processes in accordance with applicable laws and tender regulations. The procurement and tendering activities are primarily managed by the Goods Procurement, Logistics and Inventory Unit, and the Services Procurement and Tenders Unit. Mekorot's main procurement is dedicated to supporting its development and project activities, as well as ongoing maintenance and operational functions. This includes piping and drilling equipment, pumps and pumping systems, motors, transformers and electrical equipment, valves and fittings, electronic and computer equipment, software, as well as measurement devices, filters, treatment chemicals, and more.

Promoting a Responsible Supply Chain

Mekorot's Code of Ethics is provided to all service providers and suppliers upon engagement, who commit to act in accordance with it and the company's core values: professionalism, reliability, transparency, fairness, and mutual respect. Mekorot regularly conducts quality control inspections of production, products, and procured goods.

- **Supplier Preference:** In compliance with public procurement laws, Mekorot prioritizes local procurement and regularly reviews the criteria to facilitate the participation of small and medium-sized enterprises. The company also promotes businesses owned by women. In 2024, 97% of the company's procurement was classified as local procurement, of which approximately 17% was conducted with small and medium enterprises.
- **Green Procurement:** During procurement and tender processes, the Procurement Unit evaluates "green" criteria with the aim of minimizing the environmental impact resulting from the company's activities. Key parameters assessed include the energy efficiency of electrical products, such as pumps and vehicles, to reduce electricity and fuel consumption within the company, thereby lowering air emissions. In 2024, 12% of the company's total procurement was sourced from suppliers selected based on a preference for "green" criteria.
- **Employment Conditions Monitoring:** As part of Mekorot's commitment to responsible supply chain management, the company requires all its suppliers and subcontractors to comply fully with legal requirements, including those related to the protection of workers' rights.
- **Prevention of Bribery and Corruption in the Supply Chain:** Mekorot requires its suppliers and contracting parties, through its tender and procurement processes, to comply with all applicable legal provisions. To this end, the company conducts due diligence procedures in accordance with its internal protocols.



³⁹ The company's dedicated email address for ethics-related inquiries is "Ethics" at: ethics@mekorot.co.il.

⁴⁰ For more information on Mekorot's human rights policy, please visit the Mekorot website: [Mekorot - Human Rights](#) (HEB).

Compliance and Regulation

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Mekorot's policy is to fully comply with all applicable laws, regulations, directives, standards, conventions, circulars, regulatory staff positions, and relevant guidelines. Moreover, the company strives, where possible, to exceed mandatory requirements. As a government-owned company operating in the water sector and a reporting corporation, Mekorot is committed to meeting all binding standards across its core areas of activity, while considering the needs of its employees and stakeholders. The company operates across all levels to ensure compliance with evolving regulatory requirements.

During 2024, no legal or administrative proceedings were initiated against Mekorot or its officeholders for non-compliance with regulations. Emphasizing compliance in environmental regulations, Mekorot was not subject to any sanctions or fines related to violations of environmental laws or regulations during 2024.

Internal Enforcement at Mekorot

Mekorot maintains enforcement programs across various areas, which are regularly updated to ensure regulatory compliance and embed compliance norms throughout the company. The purpose of these compliance programs is to minimize the exposure of the company, its management, and employees to risks. To implement and oversee these programs, compliance officers have been appointed, tasked with ensuring the programs' application and adherence to standards and regulatory requirements. The company maintains and implements internal compliance programs across various areas, including securities, environmental protection, occupational safety, competition law, data privacy and information security, fraud and embezzlement, bribery, and corruption. These compliance programs are designed to enhance adherence to regulatory requirements applicable to the company and to establish mitigation mechanisms for managing these risks, including mapping relevant actions aimed at reducing risk exposure. Additionally, compliance surveys are conducted as part of these programs to map relevant regulatory requirements, Mekorot's operations, existing control mechanisms within the company, and applicable policies and procedures to ensure conformity with legal obligations.

Environmental Compliance Program

As part of Mekorot's environmental management, an updated environmental compliance program was approved in 2023 by the company's management and board of directors. Mekorot operates proactively and conducts an environmental risk survey every three years. The compliance program is designed to enhance adherence to regulatory requirements applicable to the company in environmental matters, and to implement risk mitigation mechanisms, including mapping various actions to reduce exposure.



About the Report

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2-5

Mekorot Water Company Ltd. is proud to present its fifth report on Environmental, Social, and Corporate Governance (ESG), detailing the company's key activities in 2024, as well as the overall impact of Mekorot's business operations on its stakeholders.

The publication of this report reflects Mekorot's ongoing commitment to promoting ESG issues as an integral part of its business practices.

Reporting Period and Frequency

This report covers Mekorot's activities regarding environmental, social, and corporate governance issues from January 1st to December 31st, 2024. During this period, no significant changes occurred in the company's operations.

The report was prepared in accordance with GRI Sustainability Reporting Standards. The data presented was collected through the company's information systems, various organizational sources, and with the assistance of external consultants.

Scope of Reporting

Mekorot operates primarily within Israel, which serves as the company's principal area of activity. Relevant financial data presented in this report align with the 2024 financial report. Alongside financial data, this report focuses on the company's operations in Israel.

This report is not part of the company's financial, immediate, or Annual reports. In case of any inconsistency or conflict between this report and the aforementioned financial reports, the wording of the Annual financial reports shall prevail.

Material Changes in Reporting

No material changes have occurred compared to previous reports.

Material Changes in Information

There have been no changes in the information that require a special declaration.

External Assurance

No external assurance was conducted for this report. Mekorot performs internal controls on all external reports and publications to ensure the accuracy of the reporting, improve the data collection process, and uphold the transparency of its activities.

For any questions, comments, or concerns regarding the content of this report or sustainability and ESG issues at Mekorot, please contact:

Riki Mor, Head of Customer Relations and ESG: Rmor@Mekorot.co.il.

Mekorot Water Company Ltd. ("Mekorot" or "the Company") has made every effort to ensure that the information included in this report is accurate and up to date as of the date of the report. However, despite the above, errors, deficiencies and/or mistakes may appear in the report.

Mekorot makes no commitment regarding the suitability of the information included in the report for any particular purpose, and it does not undertake to update the report in the event of changes/updates after the date of its preparation. In light of the foregoing, Mekorot, its management, employees, and any parties acting on its behalf or in its name, shall not be liable to any third party for any loss, damage, or harm resulting from the use of the information contained in the report.

It is clarified that this report does not constitute a public offering of securities of Mekorot and should not be interpreted as an offering of securities to the public. The information included in this report does not constitute a basis for making investment decisions and does not constitute a recommendation or opinion by an investment or tax advisor, nor is it a substitute for the discretion of a potential investor. The information included in the report is summary in nature only and may be presented in a manner different from that in which it was presented in the Company's reports, but it can be calculated from the data included in said reports. This report and the information included in it are not intended to replace the need to review the reports published by the Company to the public. Investment in securities in general, and in the Company's securities in particular, involves risk. It should be considered that past performance does not necessarily indicate future performance. The purchase of the Company's securities requires a thorough review of the information published in the Company's reports, as well as analysis of legal, accounting, financial, and tax aspects.

This report may include additional data not presented in the reports published by the Company to the public and/or information presented in a different manner from that presented in the Company's public reports. This report has been prepared for summary and convenience purposes only and is not intended to replace the need to review the Company's public reports. To obtain comprehensive and complete information about the Company's condition, business, and financial results and to gain a full picture of the Company's activity and the risks it faces, one must refer to the reports and periodic filings published by the Company.

This report includes information that constitutes forward-looking information as defined in the Securities Law, 1968 (the "Securities Law"), including goals and strategies for the coming years, both in the business field and in ESG areas. Such information includes, among other things, forecasts, objectives, assessments, and estimates related to future events and/or matters, the realization of which is uncertain and not under the Company's control. Forward-looking information, as stated, is based, among other things, on the Company's subjective assessments and plans as of the date of the report. Forward-looking information is by its nature subject to the risk of non-realization and is, as mentioned, uncertain. The realization of the forward-looking information may be affected by risk factors that characterize the Company's activity, as detailed in the Company's periodic reports published on the MAGNA website, as well as by developments in the economic environment in which the Company operates and by external factors, including regulation that may affect its operations. Therefore, it is emphasized and clarified that the Company's actual results and achievements in the future may differ materially from those presented in this report. The Company does not undertake to update and/or revise any forecast and/or assessment mentioned in order to reflect events and/or circumstances occurring after the date of the report. It is also clarified that the Company's plans and strategies included in this presentation are correct as of their publication date and may change according to decisions of the Company's management from time to time.

In addition, the report may include data and assessments based on external sources that have not been independently verified by the Company and for which the Company does not bear responsibility for their accuracy.

GRI Content Index



CONTENT INDEX
ESSENTIALS SERVICE

2025

For the Content Index- Essentials Service, GRI Services reviewed that the GRI content index has been presented in a way consistent with the requirements for reporting in accordance with the GRI Standards, and that the information in the index is clearly presented and accessible to the stakeholders. The service was performed on the English version of the report.

GRI 1: Foundation 2021

Statement of use	Mekorot Water Company Ltd. Has reported in accordance with the GRI Standards for the period January 1 st , 2024 to December 31 st , 2024.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard	Not applicable

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